The MAGAZINE *of* WALL STREET

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THE OUTLOOK

What Was Behind the Steel Dividend?—An Unwise Recommendation—The Need for Railroad Capital—Currency Disorder in Europe—The Market Prospect

THE extra dividend not long ago declared by U. S. Steel merits some careful consideration from a number of different standpoints. Undoubtedly the stockholders were glad to get it. They have been hoping for a long time past that something of this sort would be granted by the corporation and they have felt, with undoubted reason, that the company was amply able to make such a concession to their desires. So, if the extra dividend was declared for the purpose of pleasing stockholders, there is nothing but praise to be accorded to it on that score.

On the other hand, if the test of this dividend distribution is to be found merely in the abstract financial ability of the concern to pay the dividend, there is no reason why it should not have been declared, so far at least as any outward indication is concerned. The state of things in the company, financially speaking, is unquestionably prosperous, and there would seem to be no reason why this very moderate extra dividend cannot be with entire safety disbursed, regardless of whether it is being currently earned or not. This disposes of a second of the lines of argument current about this question.

The real issue is thus brought down to the economics of the case and the question is raised: When should a corporation raise its dividends, and when should it reduce them? The practice of the past has been to increase dividends when business was prosperous and earnings large, and to decrease them when the reverse conditions obtained. In some cases, it is true, there has been a practice of putting by a surplus which would enable the concern to pay a regular dividend at a stated rate, corresponding to its average earnings, regardless of whether the earnings were received in any one year or not. To go farther and resort to the plan of increasing the dividend in poor times is an extension of this policy that is, to say the least, novel.

Obviously, it is true that the industrial position of U. S. Steel, in common with the other steel companies, is not such as to warrant belief that there is a prospect of increasing the general volume of business or "turnover" in the near future. Production at the present time appears to be running in the neighborhood of 50 per cent of the capacity of the steel industry. With business geared to that proportionate rate, it is not likely that any of the companies can keep up existing conditions in earnings so that they must, in fact, contemplate a declining scale of revenue as long as industrial conditions continue what they are. This, no doubt, is as true of U. S. Steel as it is of other undertakings. The question is whether an industrial concern is justified in expressing the confidence in the future which is involved in such a policy of enlarging dividends. On this score we can give a favorable answer. The probabilities are that the Steel Corporation directors saw fit to declare the trifling extra dividend not so much because of their own confidence in the general industrial outlook as for the purpose of instilling confidence in quarters where it was lacking. Such use of an extra dividend declaration would prove entirely justifiable under the circumstances even if there were no warrant for believing that an advance in steel earnings is in immediate prospect.

The extra dividend, in other words, was nothing more or less than a reflection of past prosperity and the hope that the declaration

of it would promote conditions that would again lead to prosperity. It was money well spent, considering the broader implications of the act.

THE AGRICULTURAL YEAR

NOW that the so-called crop-moving season is about over, it is a good deal more nearly possible to form a judgment of the agricultural results of the year than has been the case heretofore. The Government's return, showing 10,248,000 bales of cotton, is the latest piece of information to come in. Altogether, the showing is favorable. It points to a higher yield than for the year before in nearly every branch of agricultural industry, while prices are generally higher—in some cases such as cotton very much higher—than they were a year ago. Both in the matter of yield of crops, and in their value, the agricultural community is better off than it has been heretofore, and the good results should show themselves during the coming winter in the improvement of the farmer's financial status.

A year ago the improvement over the preceding year was greatly instrumental in placing the grower upon a satisfactory financial footing, and the advance of 1923 over 1922 should make a more than proportionate gain in his status. It is also to be noted with satisfaction that some genuine improvement in the matter of crop diversification has taken place. One of the best illustrations of it is found in the case of flax, which has been grown to advantage in the Northwest upon ground formerly devoted to wheat, and with a net return to the farmer of about double the money yield of the latter crop. Somewhat similar progress has been made in other directions. As a whole, the farmer's year must be considered as having been a reasonably prosperous period, notwithstanding that in some quarters he has suffered from the relatively low price of wheat. This is a situation which he will gradually correct as time goes on and as he learns the better management of his land.

AN UNWISE RECOMMENDATION

JUST at a time when Congress is about to enter upon a campaign year, and at a time, too, when the membership of Congress is rather notoriously untrustworthy as regards economic questions, the Investment Bankers' Association, meeting in Washington, takes occasion to issue an announcement in favor of the adoption of a Federal "Blue Sky Law." Surely the need of some kind of remedial action that will protect the investor against the onslaughts of dishonest speculators and illegitimate promoters ought to be obvious without any demonstration.

It is estimated that the public has been preyed upon to the extent that many hundred millions a year for the benefit of this particular class in the community. But is the remedy proposed of such a nature as to grant any real relief? May it not, in fact, tend to create a condition of greater danger and suffering than that which it is presumed to correct? There is a good deal of reason to suppose so. Congress has shown itself unable to legislate on banking and currency questions with any degree of reliability, and the conclusion to be drawn must, therefore, be that it is not very likely to legislate better upon the unaccustomed problems of investment banking.

We do not want to adopt legislation of such a nature that it will entirely prevent the issue of securities, no matter whether the promoters of the latter are sound or unsound, honest or dishonest. Yet that is the danger that is clearly to be foreshadowed with a Congress made up like the present one. It is not likely that any very serious attention will be given to the recommendation of the Inventment Bankers during the coming session, otherwise the recommendation might prove to be a very regrettable experiment. Congress has its hands full of things which it means to do and even fuller of others on which it intends to take no action.

NEED OF RAILROAD CAPITAL

WHEN speaking of Congress, there comes to mind by an almost automatic process of association, the question of railroad capital and the general position in which the carriers find themselves. Apparently, there has been no relaxation in the intent of so-called "radical" interests to "go after" the railroads when the new session convenes. On the railroad side, most of the current attention is, in fact, devoted to the question how to resist such onslaughts. But the problem is a good deal larger than this negative type of discussion. As has been pointed out by one or two business leaders within the past week or more, the question of acquiring some real additions to railroad capital and thereby of making the actual investment in railroads a good deal larger than it now is must be given much more serious thought, and that, too, within the very near

future. It will not suffice merely to insure a low average return to the holders of existing railroad securities.

The truth is that at the present time there is a very decided call for considerable enlargement in the scope of investment with the idea of rendering the railroads more nearly adequate to the tasks they have to perform. Whether any success can be obtained in this direction or not must, of course, depend almost entirely upon the extent to which the investor can be protected, and can thus be insured that safety in the enjoyment of an income on his funds which he would otherwise lack.

If the country wants to keep on growing it will have to bear in mind that our railroad transportation is practically at peak today, and that success in the future will be dependent upon rendering this system of transportation more effective and useful through the actual extension of the scope of investment in it. That can be done only through the working out of an attitude toward railroads and their problems that is entirely different from the one now existing.

CURRENCY DISORDERS

THE currency disorder of Europe is undoubtedly deepening. The development of two new monetary "units" within recent weeks—the so-called "chervonets" in Russia and the "bodenmark" in Germany — illustrates the need that is felt in those countries for some means of getting away from the impossibly depreciated and over-issued currencies that have preceded them.

Even more striking than the development of these two "units" is the gradual introduction of the American dollar as a medium of exchange widely circulating practically throughout Europe, especially in the countries whose currency medium has suffered most greatly from inflation and loss of value. The dollar is today a very general medium of circulation and of saving or hoarding not only in Russia, Austria and Germany, but to an increasing extent in many other European countries, such as Roumania and the Balkan States generally. The effect of this shifting of value to the dollar as a unit is clearly seen in the regular exportation of our paper currency from this country, a fact which explains the very high volume of notes that are still nominally maintained "in circulation." They are undoubtedly in circulation, but not in the sense in which that term is ordinarily used, since they have been supplied to citizens of foreign countries in lieu of their own depreciated and relatively valueless circulating medium.

All this affords another great banking and currency problem, whose ultimate bearings cannot be fully understood pending the time when there is a restoration of comparative soundness on the other side of the water. Meantime, the adoption of some plan to reintroduce such soundness is a confessed element in the program that is proposed for the reparations conference.

IN A BUSINESS CALM

AFTER backing and filling a good deal, the industrial craft has apparently reached what appears to be a kind of business calm. Certainly there are no favoring breezes of ultra-prosperity to carry the vessel forward, and on the other hand it does not yet appear that any severe head winds of adversity must at once be encountered. Most branches of trade are doing a fair volume of business, even if they are not getting a very great deal of the prosperity that they had looked for, and that ordinarily comes from the presence of the great surplus of orders which furnish factories with the "marginal" element of demand that means profits.

THE MARKET PROSPECT

THE initial rise in what we regard as an upward trend has carried stocks up from five to fifteen points above their low levels. Of course, such an advance brought a certain amount of realizing, and this produced the reaction which seemed to have terminated last week. A very sound underlying situation is apparent. Stocks are in strong hands, and although a number of financial scribes seem to have lapsed into bearishness again, there is little real opposition to the advance. Many stocks are still not far from their low levels and there are numerous attractive opportunities, as will doubtless be proven on the next strong upward surge.

We do not see that the European situation cuts any figure in this market, for prices are acting entirely independent of the unfortunate state of affairs over there. We do believe that there are ample funds in this country with which a bull market may be financed, and we are convinced that the largest financial interests are actively and aggressively supporting the present bull campaign.

Monday, November 19, 1923.

Will President Coolidge Help Big Business?

By THEODORE TILLER

WILL the Coolidge Administration help big business and industry? An answer to the question can be only general, because the head of the administration himself has talked in nothing but general terms. Business in its hopes and in its plans must rely more upon the deep-rooted, inherent conservatism and cautiousness of the new President than upon anything he has yet said or shown by deed. As this is written the best surmise and analysis is that this administration, while it will not be aggressively constructive within the next few months, will attempt to maintain the status quo, and to encourage a gradual improvement and that, at least, it will resist radical and destructive moves against business in Congress and elsewhere.

"The best surmise and analysis is that this administration, while it will not be aggressively constructive within the next few months, will attempt to maintain the status quo and to encourage a gradual improvement."—TILLER.

"A Good Listener"

Since President Coolidge came to the White House early in August he has been a good listener and a poor talker. This attribute has been in his make-up from the start; great responsibility has simply increased his reserve and cautiousness. There is the added contributing element of the approach of campaign year and the pulling and hauling of politicians who are concerned about their own political scalps, as well as that of the President.

That the President is a candidate for the 1924 nomination no well-informed person here doubts. That the control of the party machinery by himself and his friends augurs well for his nomination is equally apparent. At the same time the President in all his moves—political, economic, industrial and international—necessarily has been aware that there lurked in the background always the figures of the La Follettes, the Brookharts, the Johnsons—Hiram and Magnus—and others of a disturbing radical group in Congress and out of it.

Consequently the President has been listening, saying little, and definitely promising practically nothing. During his few months in the White House he has probably talked less than any President, within a similar period, within the past two decades. Some call it conservatism, others term it canniness, still others indecision and then again a native stubbornness and reluctance to reveal moves in advance.

For instance, consider his course a few weeks ago when Senator Borah, Representative Anderson, of Minnesota, and various others went trooping to the White House to tell President Coolidge that he must do something for the farmers of the country. An extra session of Congress was suggested, even urged, by many of his advisers. The situation was described as desperate, from the standpoint of agriculture, economics and international trade balances, and the price of farm products. President Coolidge listened while the scouts fresh from the West talked at great length. In the end he observed that he saw little good that an extra session of Congress could accomplish, but suggested that his advisers go out among themselves and agree upon a program for relief and then return to the White House with a concrete proposal. President Coolidge, no doubt, was fully aware that there were so many divergent views and panaceas sponsored by his group of Congressional advisers that they could never reach an agreement before the meeting of the regular session of Congress.

Later on President Coolidge sent to the Northwest Mr. Meyer and Mr. Mondell, directors of the War Finance Corporation, to make an investigation in the wheat belt. Secretary Wallace, of the Department of Agriculture, was advocating a system of government aid through purchase of surplus crops. Messrs. Meyer and Mondell returned and proposed a broadening of the system of cooperative marketing, and that is likely to be the final suggestion of the Administration. Thus President Coolidge appears to have sidestepped an extra session of Congress, with its resultant disturbances, and a further excursion into direct government aid for a special class.

In further illustration of the fact that Calvin Coolidge is a listening rather than a talking Chief Executive inquirers at the White House were recently told in guarded, but nevertheless direct, language that the President disclaimed responsibility for any impressions conveyed by men who left his office and then purported to tell newspapermen, or others, what was in the President's mind. This warning was made after a visiting business man had emerged from the Coolidge presence and dropped the hint that the President favored the regional consolidation of railroads.

The President and the White House did not directly throw down the story broadcast by the visitor, but it was not confirmed. The denial of responsibility for the impressions gained by visitors was accompanied by the information that Mr. Coolidge was seeing daily a great many persons, and was glad to have their views on all questions of domestic or international importance, but that the President was himself saying very little during such interviews. That is assuredly the case. Representatives of big business interests stationed in Washington, who have been accustomed heretofore to learn from the President or certain of his advisers how the Administration stood on this question or that, are reliably reported to be encountering much difficulty in reading the Coolidge mind. Not even Cabinet officers seem to know the President's position on many matters.

How He Prepares His Message to Congress

Indicative of the methodical, conservative and cautious course of the present occupant of the nation's highest office is the fact that today, as this is written, he is slowly preparing his first message to

Herbert Hoover, enjoying the confidence of all classes, is a tower of strength in the present administration. His whole influence, since assuming his office, has been thrown on the side of better business

Congress. On his desk are more than a dozen large manila envelopes which he has accumulated since August. In each envelope are notes, observations and memoranda written at the end of each day and its conferences with callers at the executive offices. The President listens to a suggestion and indexes it mentally and on paper pending the preparation of his first message. This message will be whipped into final shape only a few days before the convening of Congress. It will represent when finished the holdover things of the "Harding policies," to which Mr. Coolidge said he willingly fell heir, the culled advice and views of hundreds of callers and advisers and the own pet ideas of the new President. Mr. Coolidge, following the practice of Woodrow Wilson and Warren G. Harding, plans to deliver this message in person to Congress.

All along Mr. Coolidge has declined, except in a most general way, to forecast or discuss his recommendations to Congress. He maintains that his policies should not be announced piecemeal through the press or otherwise. He has avoided direct answer to many questions seeking to draw him out on this problem and the next one. That is why today nobody in Washington can truthfully forecast the full program of this administration as it concerns big business or little business, domestic or international issues.

On the matter of conservation of natural resources, for example, the Coolidge position is not outlined. He is reliably reported to be a "conservationist," but no one knows whether he would carry that policy so far as a Roosevelt or a Pinchot. The indications are that he would not; that he would rather strike the middle road through the forests and the other public domains.

As to railroads, President Coolidge is understood to regard the transportation problem as of such ramifications that it will require the combined best efforts of a President, a Congress, organized labor, shippers and consumers, and the best brains of railroad executives to unscramble the present muddle The President is believed to incline favorably toward a regional consolidation, and, after a recent conference with Senator Cummins, chairman of the Senate Interstate Commerce Committee, Senator Cummins predicted a legislative move to bring about such a consolidation. The apparent administration viewpoint is that the railroads should first be encouraged to provide a voluntary, experimental consolidation for a period of five to seven years. If there is no voluntary move by the carriers, then there may come a more coercive move by the government. In this connection it is worthy of note that William G. McAdoo, former Director General of Railroads under Federal control during the war, believes that the railroad problem is approaching the chaos and the unsatisfaction of the currency problem that was met by the Federal Reserve Act. It cannot go on as it is, thinks Mr. McAdoo, who may be the opponent of Mr. Coolidge in the next Presidential campaign. Obviously this viewpoint has some political background.

Not Committed on Railways

Senator Cummins, after talking with the President, recently reiterated Cummins' belief that there should be no repeal of the section 15-a, the standard return guarantee section of the Esch-Cummins Transportation Act. President Coolidge is said to be not yet fully committed either to repeal or retention of this section. He is apt to approve whatever Congress does. The so-called La Follette group in Congress, with considerable Democratic support, is due to launch a drive soon for the repeal of Section 15-a. This fight may furnish one test wherein the Administration will have a chance not to allow, at least for the present, the harpooning of big business by a rather radical national legislature.

President Coolidge's views on immigration have not been defined. He once was quoted as saying that immigration of a class or of classes that would assimilate with Americans and American ways was not undesirable. That means much or nothing. The Washington impression is that President Coolidge will stand by the existing quota law until conditions in Europe settle and there is possible a readjustment of immigration laws under new world conditions.

The Secretary of Commerce, Herbert Hoover, in a speech advocating an American Merchant Marine, recently expressed a few administration ideas concerning the extension of international trade to which the Coolidge administration, naturally, is committed. While not specific as to how an American marine finally may be made effective, Secretary Hoover said:

"It seems worth repeating at times that our international trade is one of the very foundations of our standards of living; that our whole fabric of living and comfort are dependent upon the import of commodities which we do not and can not ourselves produce—tine, rubber, coffee, sugar, and a score of others; further, in the main the amount of these commodities we can import will depend upon the volume we export. Moreover, we need a constant expansion of our export markets to give stability to our internal production by a wider range of customers.

"Many of our raw material exports, such as wheat, are sold in the world market in competition with those of other countries, and the price level in these cases is the result of competitive streams that flow into these world markets. In wheat the farmer's return is fundamentally the price which he receives at Liverpool less the cost of transportation and handling. Therefore, any increase in shipping rates is in fact a deduction from

(*Please turn to page* 188)

In Andrew Mellon the administration has a Secretary ranking with Hamilton, Gallatin, Sherman and Chase in the confidence and admiration he has inspired in the business public

What—and What Not—to Buy in the Present Security Situation

A Study in Values

By E. D. KING

STORM signals in the business world have been up so long that business interests throughout the country have generally accepted the belief—except sometimes when they talk for publication—that the current slump will continue for an indefinite period. In some directions, as for example, steel, coal, oil, metals and textiles, forecasts of a slump, in which, by the way, THE MAGAZINE OF WALL STREET had also justifiably indulged itself, have already materialized in striking fashion.

In further support of this belief, we may cite that for several months the trend of general industrial activity has been downward. This is clearly indicated in our regular monthly graphic feature on page 127. As customary in the stock market, these changes were faithfully reflected and anticipated in the recent course of security prices.

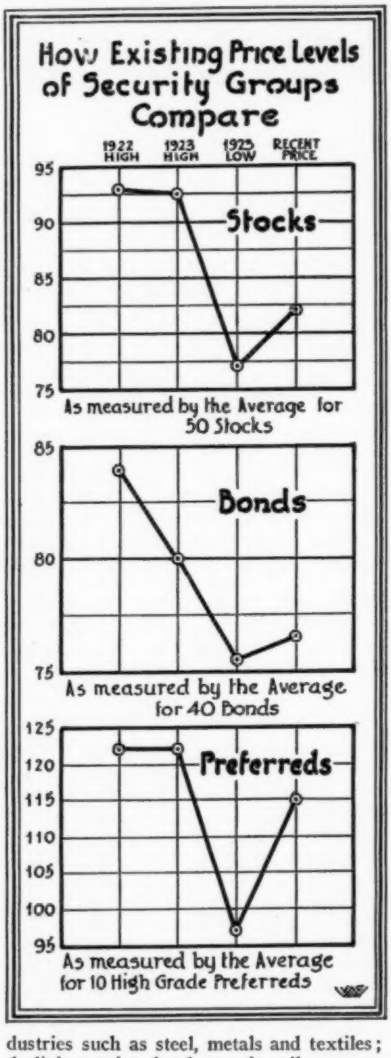
Two outstanding features now characterize the combined business and securities situations. The first is that to date there has been no change in business conditions which would warrant the belief that an early recovery is imminent. The second is that the stock market is no longer reflecting the anticipation of a continued downward swing in business as was recently the case. On the contrary, at present writing and for the past several weeks, it has been conspicuously strong and has evidently initiated a broad upward movement.

These two conditions of a strong stock market and weakening business conditions are diametrically opposite. The conclusion is therefore that either the current upward movement of securities is artificial without relationship to the business prospect or that it is the reflection of a general belief that conditions will better themselves. If we are to trust the history of the stock market, we should be more inclined to the latter opinion. In other words, if the stock market is still a faithful barometer of the business outlook, we may interpret the present strength of securities as an indication that the business trend will change within a few months. As stated above, such a prospect is not apparent in actual business conditions, but as the stock market generally discounts any change in the business situation long in advance, it would probably be more practical to minimize the effects of the current business situation and lay more emphasis on what the stock market seems to be discounting.

The State of Business

Now for business conditions themselves. On this score, there are, as it were, two sides to the story. One is that the majority of the leading industries are in the throes of a slump of more or less important proportions, and the other is that basic economic conditions in this country are sound.

Thus, when we refer to the current slump in industry we refer specifically to the lowered production in important industries such as steel, metals and textiles; declining price levels as in oil, copper, lead, zinc, tires and a host of other products; generally poor conditions in such industries as leather, tires, fertilizers and farm machinery; and, finally, the fact that there is an apparent over-production in a number of lines such as pig iron, construction (in some localities) metals and tires. These industries affect millions of employees, and conditions therein should be given due importance in making an estimate.



As to underlying economic conditions, the impression received is mainly favorable. Thus the farmers are receiving higher prices for their products than for several years, the banking situation is sound and there is ample credit available for investment and business financing purposes. There is even a slightly more favorable trend in our export trade. Finally, there is very little unemployment.

Weighing all factors, we find that weak and strong spots in the economic fabric alternate with the weaker elements predominating. Nevertheless, the fact that basic conditions are strong would lead to the belief that a good basis exists for renewed activity in business when the demand attains greater force than at present. It is probably this that the stock market is discounting, though the most we can hazard at this time is a guess in this direction.

In view of this possibility, however, it is distinctly worth while to analyze the position of the major investment groups with an eye to discovering what possibilities they hold for investors. The following is a brief analysis of each investment group. Special attention is called to the table appearing herewith as offering some practical suggestions.

The Bond Market

The two factors which principally influence bond prices are: the prospect for money rates and the prospect for business itself. Current conditions indicate a lowering of the interest rate, due mainly to the lessened rate of industrial activity. In other words, incidental to the current slump in business the demand for funds has lessened, thus increasing the available amount of funds. At such a time, business men, who form the bulk of the investing class, are prone to place their funds where they are reasonably safe. That would mean bonds, preferred stocks and other high-grade investment stocks.

Of course, should business activity increase, this would automatically reduce the surplus amount of funds available for pure investment purposes, but this is still a good ways off, so that for immediate purposes there is no good reason why advantage should not be taken of current opportunities in the bond market. We have included ten good bonds in the accompanying table as illustrations of opportunities that now exist in this branch of the market.

It will be noticed that the average yield obtainable on these bonds is slightly over

6%. In view of the fact that the money market is now on a 5% basis and will probably decline within a short period to 4½-4¾%, current yields obtainable on sound bond issues are sufficiently attractive to make it worth while for the investor to include some of these in his investment list. Should the bond market continue to reflect ease in money conditions, the result would mean an advance in these issues. In this connection, it should be remembered that the average price of bonds as indicated by the accompanying chart on 40 representative bonds is now considerably below the highest point of last year. The average of these bonds is now about 76 whereas the high point of last year was 84. Should the bond market recover only half this distance, it would mean a rise of 4 points in many bonds, and in some cases a good many points more.

Generally speaking, the highest-grade bonds, those yielding 5½% or less, are unattractive from a profit viewpoint. Good medium-grade bonds, where they can be obtained on a 6% basis or better, offer a reasonably good investment opportunity at these prices.

Speculative bonds will move in sympathy with the speculative stock market, and, inasmuch as the prospect for speculative issues seems good at this time, it is probable that many of these will advance to a point where their purchase at these levels would result in a good profit. We refer our readers to the Bond Buyers' Guide on page 124.

Summarizing, therefore, it is logical to expect a general advance, though probably not a marked one, in the bond market as a whole with the best opportunities existing in sound issues that yield 6% and over.

A Selected List of ATTRACTIVE BONDS

"In Bonds, the best opportunities lie in issues of sound value yielding 6% and over."

Name	Interest Rate	Due	Price	Yield to Maturity (%)
Arm. & Co. of Del. 1st	5½%	1943	89	6.40
Beth. Steel..........	5s	1936	88	6.35
Chi. & E. Ill. gen.....	5s	1951	76	6.90
Cuba R. R. 1st......	5s	1952	85	6.10
Manhattan Ry. 1st....	4s	1990	56	7.10
M., St. P. & S. Ste. M..	6½s	1931	101	6.25
Phila Co............	6s	1941	99	6.05
P. S. Corp. of N. J....	5s	1959	80	6.40
So. P. Rico Sug. 1st...	7s	1941	100	7.00
U. S. Rubber.........	5s	1947	85	6.20

Preferred Stocks

Generally, preferred stocks will move in the same direction as bonds, being subject to, roughly, the same conditions. In other words, the better-grade of preferred stocks will, as in the case of bonds, be influenced by the trend of money rates, and the direction of business activity.

As a group, the highest grade preferred stocks are not in an especially attractive position. Most of these issues are selling to yield not much more than 5½-6%, a yield which is obtainable in bonds. As indicated by the accompanying graph, the highest-grade preferred stock issues have declined least of any of the three principal groups of securities. Stocks like American Car & Foundry preferred, selling to yield slightly less than 6%, are relatively less attractive than, say, a bond like Bethlehem Steel 5s, yielding 6.35%. It is obvious from this example, that the investor must use considerable discrimination in selecting his investments as not all of them are by any means equally attractive from the ordinary investor's viewpoint.

When we come to medium-grade preferreds, the situation is quite different. As indicated in the accompanying table, many of them can be secured to yield 7% or over. Though not as safe as bonds, on the whole, the difference of 1% in yield between average good bonds and average good (though not highest-grade) preferreds might make it worth while for many investors to take advantage of this relatively great spread. Though this type of preferred stock is influenced rather largely by conditions within the respective companies they are also affected by general conditions such as the trend in money rates and business.

Assuming a lower trend in money rates, therefore, it is logical to assume that this type of issue as well as bonds will be favorably influenced. Preferred stocks of this class, now selling to yield 7% or over, should advance to a point to yield about half a per cent less. In other words, a good 7% preferred stock now selling at par, under the influence of the conditions described above, should advance to between 105 and 110.

As for speculative preferreds, they are subject almost entirely to the forces affecting the position of the issuing companies. Money rates are only likely to affect such a type of security slightly except, of course, in periods of great money stress when all issues suffer regardless of their worth. Nevertheless, many good semi-speculative opportunities exist in these preferred issues, and readers, for more specific information, are referred to our Preferred Stock Guide on page 137.

The Outlook for Common Stocks

A complete diagnosis of the position of the stock market was given in the last issue of THE MAGAZINE OF WALL STREET. Attention was then called to the sudden change in the trend which caused an advance of many points in the leading speculative issues. Subsequent to that time, the market as a whole has risen a number of points on the average, and at this writing it appears that the broad upward sweep is overcoming resistance and that most issues of worth will continue their advance.

There are two general types of com-

(Please turn to page 162)

Selected Lists of—

ATTRACTIVE PREFERREDS

"In Preferred Stocks, the best opportunities are in medium grade issues where yields of 7% or better can be secured."

Name	Div. Rate	Recent Price	Yield (%)
American Ice......	$6	84	7.1
Amer. Steel Fdy...	7	100	7.0
Amer. Woolen....	7	100	7.0
Balt. & Ohio......	4	57	7.0
Beth. Steel........	8	104	7.7
Cluett-Peabody	7	100	7.0
General Motors....	*6	84	7.1
General Baking....	8	108	7.4
North American....	3	43	7.0
U. S. Ind. Alcohol..	7	100	7.0

* Debentures.

ATTRACTIVE COMMONS

"In Common Stocks, the best opportunities lie in those of highest investment quality. The sheerly speculative should be left alone."

Name	Div. Rate	Recent Price	Yield (%)
Balt. & Ohio......	$5	56	8.9
Brooklyn Edison...	8	110	7.2
Calif. Packing.....	6	79	7.6
Cons. Gas (N. Y.)..	5	63	8.0
Detroit Edison.....	8	104	7.7
Endicott-Johnson ..	5	64	7.8
Rwy. Steel-Spring..	8	101	7.9
Reading	4	*76	†7.2
Westinghouse	4	57	7.0
White Motor......	4	48	8.2

* Ex-rights = 55. † On basis of stock ex-rights.

★ Prize Story ★ *Investing—* ★ Prize Story ★

From the Woman's Point of View

By IDA L. PIFER

The accompanying article will interest our readers not only because it was awarded first prize in our latest Prize Contest but also because it brings home a truth perhaps not generally recognized that the women of America are attaining increasingly wide influence in investment and financial circles and can with less and less justification be grouped as a "special class."

IDA L. PIFER

SUPPOSE all women owning stocks listed on the N. Y. Stock Exchange or Curb should read and simultaneously decide to act upon the intent of the following pious advice appearing in the inquiry column of a recent financial publication—what would happen to the stock market?

"Please advise me whether you think XYZ common stock is a safe and sound investment. xxx."

Answer: "The common stock of XYZ is not a safe *woman's* investment; it is rather an excellent business man's investment, amply covered by asset values with a good record for earnings," etc., etc., closing with, "In view of this, the stock appears to be an attractive purchase, although at the same time it is not a strictly investment issue such as we should recommend *for a woman.*"

In this particular case, a report received only a few days prior, sets forth that the stock of this motor company is divided among 65,665 stockholders; 44,000 own the 20,645,990 shares of common stock outstanding, of which one fourth or 11,244 are women. Certainly a most conservative estimate based on these figures would place the number of shares owned by women at a million, at least. *Would it not be rather surprising to Wall Street if, some morning, without warning, even a half million shares of this "attractive purchase" were suddenly dumped on the market because "it is not a safe woman's investment?"*

Following this might come, say, a million—to be very conservative—of the 2,480,000 shares of Northern Pacific, one-third of whose stockholders, or 13,599, are women; and then, right behind it, the shares of the New Haven over whose many widowed and orphaned stockholders some papers have been shedding tears; and the Pennsylvania with its long line of women investors.

Not a broker who does not shake his head and sigh mournfully when some poor misguided woman asks about oil. "Too speculative for a woman—even the Standard Oils!" *Yet on July 31, 1923, 30,579 women owned 5,574,265 shares of the Standard Oil of New Jersey—an average for the common $25 par stock of 552 shares each—32 for the $100 par common and 34 for the preferred; and this does not include the stock set aside for 13,766 employees, nor the shares held by 2,454 estates and 1,140 brokers, which would undoubtedly swell considerably the number of shares belonging to women.*

There were on March 9, 1923, 56,771 women stockholders of U. S. Steel Corporation, the general average per stockholder being about 56 shares—an aggregate number of shares on that average of over three million belonging to women.

An investment house selling public utility securities recently listed the occupations of 1,680 buyers, just as they came in. Among them were 288 housewives, 66 stenographers, 2 scrub-women and 262 clerks (the latter being both male and female), at least one-fourth being women.

Undoubtedly, an investigation would show a similar proportion of women stockholders in all the active stocks.

Yes, Wall Street would certainly feel tenderly of its collective head on the morning after, and wonder what struck it, if women would all decide to follow the advice of their conservative bankers, brokers and editors!

Sex No Longer Applies in Business

As a matter of fact, the question of sex in business is rapidly becoming a thing of the past. Yet there is no denying that the business world is still a man's world in which a woman must ever take daring chances knowing full well that the cards are stacked against her; and *I am wondering if one of the reasons why she ventures so eagerly into the stock market is not because it is the one and only place in the business world where she has an equal chance in the game with the man?* Women are naturally conservative and notoriously poor losers. Surely the evidence of an increasing number of women stockholders goes to show that the investments they have made have not been as a rule losing ventures.

One cannot question the wisdom of the editor's advice given above. We all know that the buying of stocks is not and cannot in the nature of things be made an absolutely safe proceeding. Neither can the crossing of a busy street be made an absolutely safe proceeding. One must stop, look and listen, and then take a chance of being hit. Yet the majority get across without serious damage.

Far be it from me to attempt to advise women. If I were bold enough to try it, I should begin with some negatives—*not* to buy on margins; *not* to buy doubtful or unlisted stocks of doubtful brokers; *not* to buy on "tips" no matter how reliable the apparent source; *not* to try "in-and-out" trading; *not* to hang over tickers in women's departments (than which is there any more pitiful sight?)

What I do wish to tell in as few words as possible is just what the personal, careful investment of my own small funds in listed stocks and bonds has done for me.

How I Have Fared

Although a business woman for many years, I feared the stock market. By a few successful investments in real estate I had acquired a comparatively small sum on which I wished to realize a reasonable return. I turned it over to the

A grand total of nearly ten million shares in Standard Oil of New Jersey, U. S. Steel and Northern Pacific Railway alone are held by women stockholders.

An investment house recently found that of 1,680 buyers, just as they came in, at least twenty-five per cent were women, including 268 housewives and 66 stenographers.

WOMAN'S GROWING INFLUENCE—

—In finance is attested by the recent election of Mrs. Helen M. Brown to the office of President, State Secretaries Division, of the American Bankers Association. Mrs. Brown is the first woman ever elected to an office in the A. B. A.

loan department of a bank in the city where I had formerly lived, where the last deal was made. Correspondence soon revealed to me that my precious nest-egg was in the hands of a kid whom I had known in short pants.

Now, it isn't natural for a woman to feel easy with a matter of immense importance in the hands of a kid she has known in short pants, no matter to what heights he has risen, or what advantages of information he has around him—more particularly when he plainly demonstrates to her that he regards this as merely a trivial casual transaction on the outer edge of his busy life. Anyway, after much delay—without interest—and a subsequent lengthy correspondence, getting nowhere, I decided that, as the money was mine and no one except myself would suffer if I lost it, I would take a plunge into high finance myself and see what happened.

Before this time the financial page of my morning paper was the one I chose for wrapping the remains of my breakfast to deposit in the garbage chute on my way downtown; the ditto page of the evening journal I spread on the park seat to preserve my gown before I sat down to glance idly over the headlines. Little did I suspect then that the time would come when I should be more interested in the sales of pig iron than fall millinery. For the first time I found this curious sheet of interest. Later I saw an advertisement for a free copy of "The Investor's Pocket Manual—Stock Prices and Statistical Description." It seemed to me, when it arrived, a rare and valuable document. I studied it through from the first page to the last— I fairly ate it up, statistics and all. Then I went to the library and became acquainted with the standard reference books and the various financial publications and periodicals. I bought and read them every day. To my surprise I found them more fascinating than any novel. I still find them so.

I Take the Plunge

I finally selected carefully and prayerfully a list of the stocks I wanted—quite as if I were investing a fortune. Then came the question of a broker. I knew none personally. So I decided to buy through my bank which might thus be a buffer between me and the "mighty ogre" of the Stock Exchange.

Of late, what I regarded as an ogre has begun to seem to me rather the false-face of an impulsive, sentimental boy, who goes off half-cocked one day, reverses his decisions the next, jumps at hasty conclusions, is sometimes unscrupulous, often merciless, always to be suspected—never quite trusted, yet ever straining—straining, to look forward and see what the Future has hidden up its sleeve for the business world; and sharing this knowledge generously, for he who reads between the lines of the stock-market reports can see farther into the future than any magician gazing into a crystal ball.

Without going into the details of my purchases—which usually have been well-seasoned stocks, bought for the "long pull" in the market's pessimistic moments—without confessing my mistakes—admitting that my hard-earned experience will be no safeguard against future mistakes—realizing that I have only begun to learn how little I really know, I think I may truthfully and very conservatively say, in thus hastily passing over the critical, crucial, vital point of profit and loss, that I have received quite as good a return on my money as I would have received through the loan company.

The Benefits I Have Received

I am not emphasizing here so much the matter of dollars and cents—all-important though it be—as the benefits I have received which cannot be measured in dividends.

In the first place, I have an acquaintance and a business man's relations with my bank which, together with the credit established by my collateral, and the friendly interest of the officials, I prize most highly.

I have gained an intimate knowledge of the biggest business concerns of the world. I have become a partner in some of them. I am familiar, by vigilant reading, with their methods, their management, their officials, their profit and loss.

Moreover, I have found a new and amazing interest in the whole world—its resources, geography, events. There is nothing from chinch-bugs and army-worms to a revolution in which I am not personally and vitally interested. The news in my morning paper has new meaning to me. Conditions in Europe, reparations, labor troubles, every item opens a vision. Rain in Iowa—that means better corn; my mind runs on to its effect on the farmer, his buying power, machinery, mail-order houses, fertilizers, the products of corn and milling. Even the newsprint itself means mechanical devices for printing, paper mills, wood-pulp, tariff, relations with Canada.

That field of wheat by the roadside along which I often drive, yesterday was merely "pretty." I liked to watch the wavelike ripples and the changing shades. Today i is no less beautiful, but in addition it carries me away to Argentine, Australia, Roumania, Russia, the world markets for wheat, to terminal warehouses, to car loadings, freight rates, to visions of hard labor in the hot prairie sun, disappointment, bitterness, revolt against existing conditions, the laws under consideration, the men whom these farmers have selected to represent them and the possible results. Then I recollect the early pioneers and the hardships they survived, and I renew my faith in the good sense of my own western people who have earned their homes and love them as those in city apartments can never do, and I know that some relief will be found for the farmer, for the anxiety and sympathy of Big Business is with him—indeed, cannot live without him—even if he does not always believe it.

The car in which I ride is no longer only a good comfortable car—I'm thinking now about its production and sales, its accessories, bearings, joints. The tires carry me not only over the road, but off to rubber plantations and the problems of production. And the oil—O, there, I enter into a world of romance, wealth, tragedy, struggle, the fate of kingdoms perhaps, and a battle of the giants all over the earth about which might be written a new Niebelungenlied.

Mr. Teagle is no longer just a name

(*Please turn to page* 171)

EXECUTIVE HEAD OF ALL B & L'S!

Miss Ann E. Rae, active in many large business enterprises in Niagara Falls, N. Y., recently had a new honor thrust upon her in her election to the Presidency of the United States League of Building & Loan Associations, having member associations in thirty-two states of the Union.

Problem: Who Really Pays the Taxes?

Or, Does the Poor Man Actually Come Out at the Little End of the Horn?

By NICHOLAS V. BOGGS

ONE of the hardest things in all economic science is to find out, at any given time, who is paying taxes and how much he is paying. This is very natural, because the ingenuity of statesmen and ministers of finance, from the days of the Pharaohs to those of Mr. Mellon, have been directed toward complicating the subject as much as possible, with the laudable view of making the operation as painless as possible.

Especially in a society as complex as ours, investigating the problem of taxes is a good deal like trying to smooth out a dimple in a rubber ball—when you think you can lay your finger on it, you discover it has moved around to somewhere else.

Take the matter of an income tax, for instance—it would seem to be the easiest thing in the world to fix on some particular group, and announce in bold and clarion tones that they are paying an average of, say, $200 a head in income taxes. But are they really paying the tax, or is it simply being paid through them, its real origin being in the pockets of some entirely different group?

Where the Tax Pinches—And Where It Doesn't

One of the income-tax-payers, to take a simple case, may be an executive in a business concern, where his services are invaluable. If he finds he has $200 in taxes to pay, he may simply pass the $200 blithely on to the corporation employing him, and ask for a corresponding increase. In such a case, it is evident that the man whose name is signed to the check that goes to Washington is not the man who really pays the tax.

Another income-tax-payer, on the other hand, may be carrying on a retail business in shoe-polish, let us say. If he finds he has to pay $200 to the Government in income taxes, it is no use for him to try to pass along the tax to his customers by raising the price of each box of shoe-polish that he sells. In the first place, the price he charges is already set within a certain frame of supply and demand, which is the same whether he pays $200 or $2 in taxes; in other words, if he is any kind of a business man, he is already charging what he can get, and he cannot charge more. More than that, suppose prices do go up, including the price of shoe-polish, through no act of his: the increase will not absorb his taxes, because it will simply furnish him with a larger income on which he must pay a larger tax.

Some cases of "passing the buck" on taxes are more complicated, and may lead to greater misunderstanding. Take the case of a real estate tax: It would seem that, if the landowner has to pay higher taxes, all he has to do to break even is to charge higher rents. But—his rent is already fixed for him by competitive conditions over which he has no control. If he attempts to charge a rent higher than the market, he will have no lessees.

When rents are going up, for other reasons, and taxes happen to be going up at the same time, it may seem as if he is passing along the higher taxes in the shape of higher rents. But in reality they come out of his own pocket—the proof being that, should rents happen to be falling and taxes rising, he cannot check the decline in rents on the ground of the higher taxes that he has to pay. He simply has to get along with a smaller income from rent, under these circumstances.

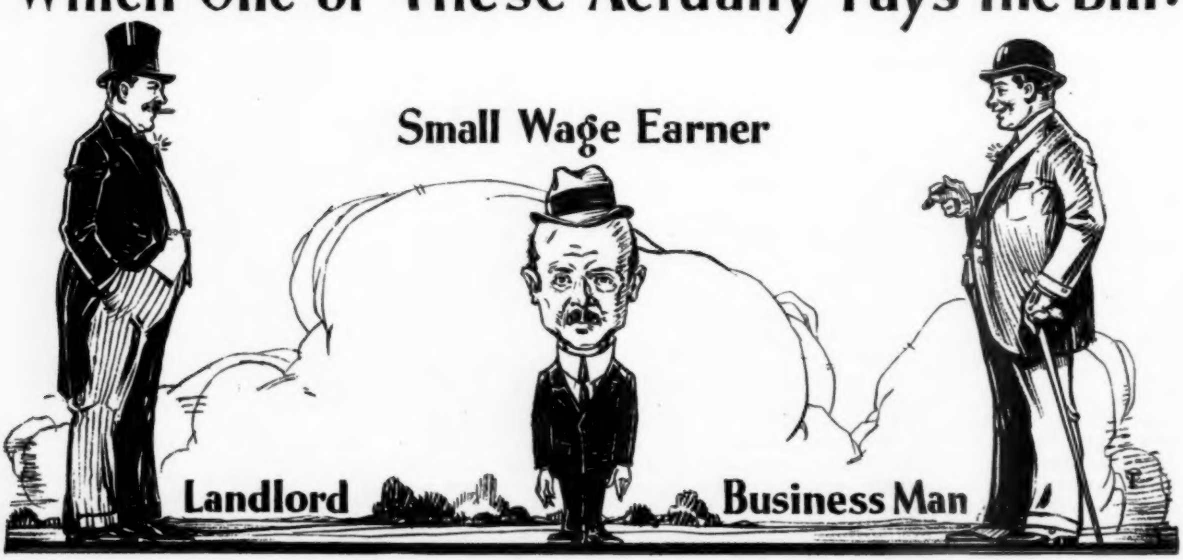
Labor Pays No Tax

If we apply the same reasoning to the question of taxes as a whole, we arrive at the following interesting conclusion: Taxes are derived from the national income, which comes under three heads: wages of labor, rent of land, and profit (including interest) of capital.

Wages are fixed independently of the tax situation. Whether they are fixed by "supply and demand," whatever that may mean; or by the cost of labor reproduction, which is the cost of bringing up a family; or by Ricardo's famous "Iron Law of Wages," which is that wages tend to get down to the minimum possible allowing the wage-earner to keep alive, with due allowance for the difference in standards of living in different countries; in any case, they depend on something which has nothing to do with taxes, they do not become larger or

(*Please turn to page* 166)

Which One of These Actually Pays the Bill?



Is it, as some of our political thinkers would have us believe, the small wage-earner? Or does the tax burden fall on the other two?

Making Stockholders Out of Public Utility Customers

Analyzing the "Consumer Financing" or "Customer Ownership" Plan and Pointing Out Its Purposes

By RALPH RUSHMORE

Have you been invited to buy stock in your gas company—or your electric light or telephone company?

Have you wondered just why this invitation was extended to you—and whether or not it would be to your advantage to accept it?

If you have, perhaps this article will help you reach a decision. It discusses the "Consumer Financing" Plan from all angles.

YOU have been approached, let us suppose, by a representative or agent, direct or indirect, of the American Telephone & Telegraph Co., let us say, or the People's Gas Co., Consumers Power Co., or the Standard Gas & Electric Co.

This representative, or agent, has urged you to buy stock in the company he represents—or perhaps its bonds.

He has advanced many arguments—as any up-and-doing agent naturally would do—calculated to lead you to act upon his advice; and, after thinking things over, you are strongly tempted to do what he suggests and become a stock or bondholder.

You hesitate before going ahead, however, wondering whether to do so would be your wisest plan. You wish that you could talk things over with somebody—some neutral party—in whom you had confidence, and ascertain his views. You want to know, for instance, why the company in question has approached you in this way—you never having had the experience of being so approached directly by an issuing company before; you have heard that all the other consumers have, like yourself, been approached too, and you wonder why.

All sorts of possible motives occur to you which, as you think, may be responsible for your being approached. All sorts of consequences suggest themselves as the consequences which may ensue if you act on the agent's advice—or refuse to act upon it. You are bothered by doubts or uncertainties as to whether this invitation to become a security holder may not have something to do with the rates the company charges or the service it renders. You are bothered by doubts as to the wisdom, from the standpoint of an issuing company, of marketing securities in this way. In short, a dozen different thoughts and cross-thoughts are passing through your mind, and you'd like to see them subjected to a little, unprejudiced daylight of a sort that might help you reach your decision.

These things being so, a brief statement of the purposes of Customer Ownership, or Consumer Financing, or whatever you choose to call it, may be helpful to you. What follows is an attempt to render such a statement.

What Are the Issuing Company's Purposes?

Let us look, first, at the practice of Consumer Financing from the standpoint of the issuing company. What are the benefits, if any, that impel a company to adopt this financing method? What purposes have its directors in view? Are these fair purposes—fair and commendable? Or should they be frowned upon?

Thought and discussion, we think, will lead you to agree that, from the company's point of view, Consumer Financing (to call it that) is more than worth while—it is constructive, practical and hugely productive and based on an idea of the soundest kind.

The chief benefits to be derived from it, from the company's point of view, may be said to be three in number. **First among them is the means Consumer Financing offers of cultivating the good-will of the men and women included among its customers.**

You know, of course, that the Public Utilities of today are answerable for the quality of their service, the quantity of it and the rates charged for it, in greater or lesser degree, to the consuming public. You know that a direct link-up between Utility Corporations and the Public which they serve exists in the various Utility Commissions which have been set up all over the country. You know that, after the first epoch in public utility development, when a certain, mistaken variety of utility corporation gouged the public for all it was worth, the attitude of the people toward the Utilities, as reflected by the attitude of the people's Commissions, was hostile in the extreme. You also know that, as a result of this hostility, many unreasonable demands were made upon all utility companies, not a few impossible restrictions were imposed upon them—indeed, what later events have, in some cases, proven to have been "starvation" limits were drawn up and forced upon them.

Since these two chapters in public utility history were brought to a close—and everybody is profoundly glad that they have been brought to a close—it has been the effort of the better type of utility to promote a new era of good feeling between themselevs and the consuming public. In a word, utilities of this sort have sought to make the public realize that *its* interests are also *their* interests. Obviously, they could not achieve this end by any more tangible method than that of making stockholders out of their consumers—and that is the first and perhaps the chief reason for Consumer Financing:

There is nothing in the least improper in resorting to this system. It is an offshoot of the same principle which the United States Steel Corporation applied when it first began promoting ownership of its stock among its workers. It is just one of the infinite ramifications of Profit Sharing which, by degrees, are making Profit Sharing one of the widely practised methods of progressive business. It does not—it could not, to be sure—blind the consumer to his own interests. It merely renders him more receptive to the interests of the producing corporation—in a word, increases that corporation's chances of a "square deal." That is all.

There is a second benefit, from the standpoint of the issuing corporation, in Consumer Financing which must be considered only little less vital than the first, outlined above. **That advantage consists in the centralizing and stabilizing of the market for the issuing corporation's securities.**

A public utility corporation, as you know, is unlike a manufacturing corporation in this respect: It grows with the community it serves; whereas the manufacturing company grows with the demand that exists, or that can be fostered, for its product. A public utility, of course, deals in an essential commodity, which everybody—or nearly everybody—in a given community will use; a manufacturing company, at least in most cases, deals in a non-essential commodity, which people may use or not use, as they see fit.

Because of this characteristic of the public utility, and with due regard for other contributing factors, its growth will be indefinite—will continue so long as the growth of its community continues: And, so long as its growth does continue, so long must its capital requirements go on increasing. Of course, some utilities are able to finance their expansion out of

earnings as they go along; but more often this is neither the more enterprising nor productive method.

Obviously, then, it will be very much to a utility's advantage—if not absolutely essential to its proper development—for it to establish a centralized and stable market for its securities. Consumer Financing assists in this purpose.

If you will stop to consider some of the factors involved in the sale or distribution of corporate securities by the old-fashioned methods—that is, by offering to the general public—you will readily appreciate another benefit, from the standpoint of an issuing company, which Consumer Financing serves: *Other things being equal, it reduces the cost of financing—conserving, over and above the actual selling costs, the funds that might otherwise have to be devoted to selling commissions.* As it progresses and becomes more popular in a given community, it permits of greater efficiency in placing new securities—probable investors, for one thing, being known before a campaign is begun.

Thus, then, as a means of cultivating good-will among consumers, as a means of centralizing and stabilizing the market for a utility's securities and cutting down the costs of reaching that ultimate market, Consumer Financing is obviously beneficial from the company's point of view.

From the Consumer's Point of View

Let us now look at Consumer Financing from the Consumer's standpoint—that is, from your standpoint, good reader, and that of millions of others like you. Does Consumer Financing offer anything worth while—anything worthy of your consideration?

Before we can go at all into this angle of the subject, there is a certain truth which must be considered. It is probably the most important, overtowering truth that you will find in what is offered here, so you can understand how anxious we are to have you give it your most careful consideration.

The truth is this: No method of bringing an investment security and the investing public together is, in itself, any warrant for a purchase of that security.

Put differently: However commendable Consumer Financing, or any other method of reaching the investing public may be, it does not, in the slightest measure, warrant any relaxation of the investor's vigilance or his discretion in selecting individual investment mediums.

The full strength of this truth will be immediately apparent to anyone who gives it careful consideration. It is obvious, for example, that one's identity as a consumer of gas produced by a badly managed, poorly financed and tottering gas company would, in no wise, justify one's buying into that company. It is obvious that the mere fact of one's having been offered stock by an electric light company, which stock offers a return of such-and-such per cent on the capital invested, is in no wise justification for one's discriminating in favor of that electric light company, as opposed to some other security which may offer as great or a greater return and no more or not as much risk. It is obvious, in short, that the merits of any individual investment offering are measurable only by the merits of that offering itself, and not all by the circumstances under which it is offered, the proximity of the offering concern or the relations between it and the person the issue is offered to.

That, to be sure, is obvious to us all.

Assuming, now, that the simple truth expounded above is ingrained in everyone who reads these lines, and that nothing that may be said later will be permitted to lessen appreciation of that truth, let us go back to the consideration of Consumer Financing from the Consumer's point of view. What does it do for him?

Those who have studied the subject find that Consumer Financing offers very real benefits to the Consumer, of which at least four are worthy of mention and emphasis.

First, there is the opportunity which this form of financing offers for the enterprising investment of limited sums.

Anyone who has even a half-formed conception of what the American public wants, will appreciate the importance of this benefit. We know how difficult it is, all things considered, to find odd-priced investments, investments available in low denominations, investments that the average man and woman can afford to buy (without binding himself, more or less indefinitely, to an instalment plan of payment). We know what large numbers of people there are who are constantly on the lookout for such investment mediums as these. Insofar as Consumer Financing puts within his reach securities which the investor of limited means may appropriately purchase, it confers a benefit upon him of a very substantial character.

Benefit No. 2 from Consumer Financing, as we see it, is the actual, tangible interest it enables a consumer to obtain in the company whose product, or services, he uses. It enables you, as a consumer, so to say, to "make the company that renders the bills produce the income that pays the bills." Thus, a man whose gas bill is $5 a month, or $60 a year, who is offered stock by his gas company paying 6% of par, and who buys $1,000 par value, begets a source of income amounting to the equivalent of his gas bill—which, as the saying goes, is fair enough.

Does the company, by reason of an enlarged business and stabilized rates, find it possible to pile up big profits? Then, in the principal value of your shares, as well as in their income-producing abilities, you benefit in like proportion. By reason of interposing lower rates, do its profits, per capita of stockholders, decline? Then, in the reduced charges it assesses upon you, you also benefit in like proportion.

Here is a good place to refer back again to the important truth outlined above, and to say that one does not necessarily have to resort to his gas company's shares in order to produce an income wherewith to pay his gas bills. There are thousands of securities of all kinds and varieties, available to the man who wishes to put money to work. Only when his gas—or other public utility—company is as fully, or more worthy of his support as or than the other companies within his reach, should he discriminate against them and in favor of it.

It so happens that, over a long period of years, public utility investments have, in many cases, proven to be of the highest calibre and of the most stable nature. Hence, the chances are pretty fair that the consumer will find his public utility as worthy of his support, all things considered, as most other concerns. The point is solely that he should not allow himself to be guided by hasty assumptions or ill-considered conclusions, but instead should judge every medium offered him upon its own individual merits.

The third benefit derived by customers from Consumer Financing lies in the fact that this procedure, in effect, doubles the company's responsibility to its consumers.

Without Consumer Financing, a utility's only relations with its customers may be those of any business establishment with its patrons—the relations of producer and consumer. In all matters beyond the actual rendering of its service, it may be sufficient unto itself alone.

With Consumer Financing, the company becomes responsible to its customers, not only as a producer of the commodities or services the customers require but also as, in effect, a trustee of their invested funds.

This closer relationship has many ramifications whose benefits you, as a consumer, will readily appreciate; but chief among these is voice in the management of the utility's affairs which it entails. Varying with the particular securities offered for sale under a Consumer Financ-

(*Please turn to page* 180)

SO MANY COMPANIES—

Have adopted the "Consumer Financing" method of selling securities, it would be impossible in the limits of a single article to list those worthiest of support.

Readers wishing concrete opinions as to the merits of individual offerings of this sort should consult our Inquiry Department. Also, of course, they will find our regular Public Utility Department helpful in this connection.

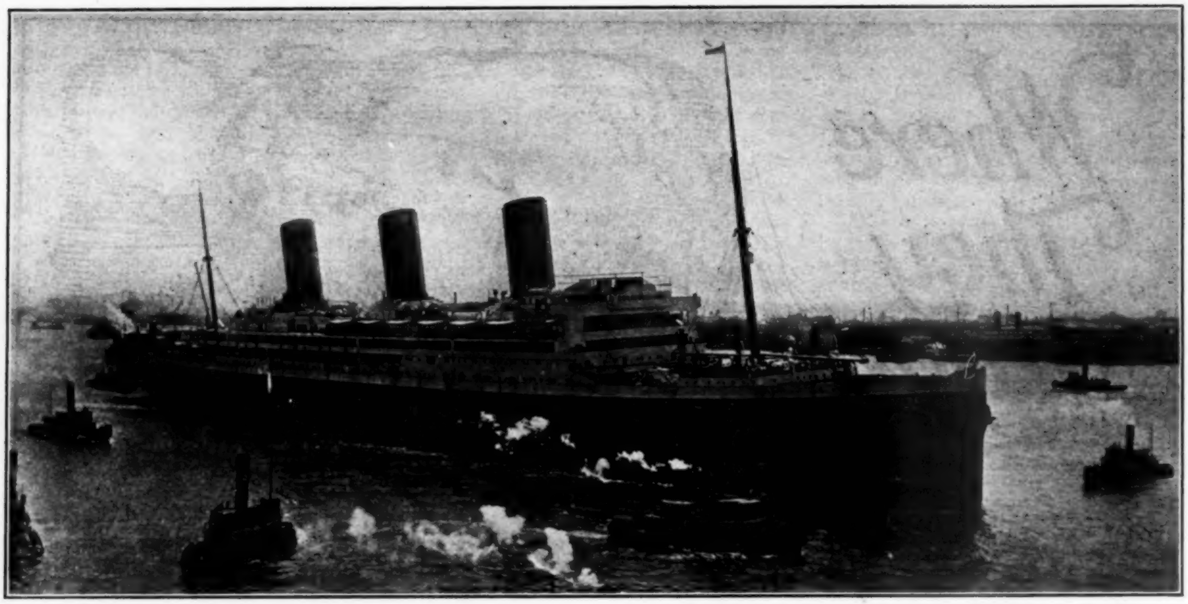
Where They Began

Darwin P. Kingsley in his teens a farm-hand in Vermont

George F. Baker, never told where he began ~ but it is believed his first job was clerking in a grocery store.

Frank A. Vanderlip, was a reporter in the days of longhand copy, "beats" and regular daily extras

James B. Duke, with his father and two brothers, lived in a log cabin and slept on a straw tick in the days following the Civil War.



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Large fleet of tugs clearing the way before The Majestic coming up New York Harbor.

Dark Clouds Commence to Lift in Shipping

Effects of European Competition—Where Are the Bright Spots in Shipping?

An Interview with WINTHROP L. MARVIN

Vice-President American Steamship Owners' Association

IN the minds of most people who follow the trend of business and of securities, the shipping industry is associated with a black and unrelieved gloom. The poor earning reports of certain shipping companies since the collapse of the 1920 shipping boom, the decline of many shipping securities, the sharp fall in rates on certain classes of traffic, reports of millions of tons of shipping lying idle, the small volume of shipbuilding now under way, all contribute to this impression.

The pessimistic conclusion derived from these facts, however, has been extended to fields to which it does not belong. The shipping industry is not, like the famous little girl with the curl, either all good or all horrid. Certain branches of the shipping business have not only been doing well, and promise to continue doing well, but are even investing millions of dollars in new equipment because of the continued large volume of profitable business.

The Two Classes of Business

Distinctions have to made, therefore, in the shipping business as in all other kinds of business. Passenger traffic is not the same as freight traffic, and coastwise business must not be considered from the same point of view as transatlantic business.

"The two brightest spots on the shipping horizon," said Winthrop L. Marvin, vice-president of the American Steamship Owners' Association, to the representative of THE MAGAZINE OF WALL STREET, "are the coastwise trade and South America. In the coastwise trade, including traffic that passes through the Panama Canal between the Atlantic and Pacific coasts of the United States, very few ships are being laid up, and while full cargoes are not always secured, the companies are able to make an active showing at the present rate level, and to compete effectively with the railroads. Often they even make better time than the railroads, because a freight car may be switched off to another track or held up at classification yards, but a ship once started keeps right on its course without a stop on schedule time, barring accidents, of course. It's the old story of the hare and the tortoise.

New Building

"These coastwise ships carry not only heavy bulk commodities like lumber, coal, and fertilizer, but also package goods of high specific value. The coastwise lines are building a number of new fast ships carrying both passengers and high-classification freight which must be delivered quickly. It is worth noticing that every time an old ship is put out of commission on the coastwise services, it is replaced by a larger and better new one.

"The coastwise tankers which carry oil from the Pacific coast to Atlantic refineries are doing well, and there is enough business on hand to keep them busy. There is no foreign competition in this field, and the Shipping Board is practically out of it, so that it is in the hands of privately-owned ships flying the American flag. Private owners have bought up a number of Shipping Board ships for coastwise services."

Asked what the situation was with re-

SHIP CONSTRUCTION UNDER WAY, NOW AND PRE-WAR, IN TONS

(From Lloyd's Reports)

Country	Oct. 1, '23	June 30, '14
Great Britain and Ireland	1,271,195	1,722,000
Germany (incl. Danzig)	345,985	547,000
Italy	145,423	69,000
France	142,660	227,000
Holland	104,491	116,000
United States	99,383	148,000
Japan	78,012	92,000

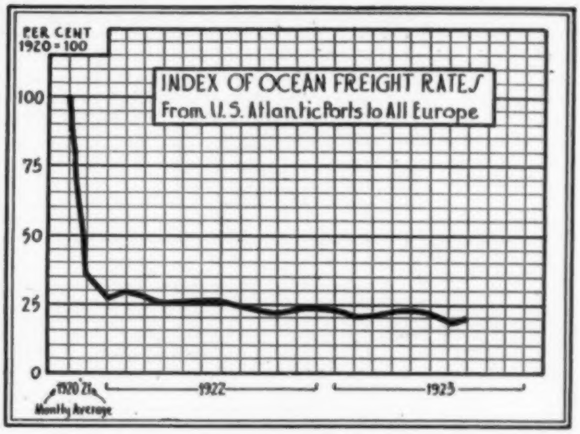
gard to idle tonnage, Mr. Marvin replied, "There are about 4½ million tons of American shipping now lying idle. Of this amount about 4 millions belong to the Shipping Board, and the rest to private American operators. The Shipping Board has a total of 6 million tons of shipping, but much of this is unfit for commercial operation or ready for the scrap-heap, while considerable other tonnage needs repairs before it can be used. This compares with a total of 12 million tons of shipping under the American flag.

"Another bright spot in the shipping situation," he continues, "is the South American trade, which has been showing a steady improvement for a long time. As more American capital is invested in South America, and new services installed, we find there is enough business to keep the new lines busy. A few new ships are being put into service on these lines.

"As for the Far East, conditions are not quite so satisfactory—for one thing, foreign competition is keener. A good deal of tonnage has been moving to Japan to carry relief supplies of food and building materials for reconstruction following the earthquake, and this business may continue active for some time. It is largely being done by 'tramp' steamers, however, not being operated on regular services. Two new fast ships are contemplated for the Australian trade, and this business should prove satisfactory."

Transatlantic Trade

At the mention of transatlantic trade, Mr. Marvin shook his head. "No improvement can be seen, except of a casual kind," he said, "in the volume of business moving, and freight rates show no tendency to rise. The trouble here, as everyone knows, is that there are too many vessels competing for the limited amount of traffic available. Every once in a while, things begin to look better as the European political situation shows signs of improvement, but no real revival can be expected until the major European problems are put out of the way.



"Transatlantic passenger traffic is another story. Perhaps three-fourths of the first- and second-class passengers on ships flying the American flag are Americans going back and forth from Europe. While there are somewhat fewer of them than there were last year, say, or in an average year before the war, the loss has not been very heavy. The putting into commission of the Leviathan by the Shipping Board has, of course, increased competition and by so much cut into the earnings of privately-owned lines.

"Third-class and steerage traffic, however, which was the mainstay of passenger earnings before the war, has been cut into sharply by the immigration restriction laws of the United States. I should estimate that immigrants are now a third of what they were before the war."

New technical improvements, in Mr. Marvin's opinion, are being introduced at a great rate into the shipping industry. The substitution of oil for coal as a fuel, with all its attendant advantages of cleanliness, saving in bunker space and operating cost, is making great strides.

The Diesel engine, or one of its numerous modifications, which is an internal-combustion engine of the same type as an automobile engine, except that it can burn much heavier and cheaper fuel, is another important improvement. Mr. Marvin states that it is being used successfully on ships of as much as 15,000 tons, with a great saving in operating costs and increase of speed. The motorship, of the electrically-propelled type, is past the experimental stage, but has not yet achieved the commercial success of the Diesel.

Operating Costs

While the shipping world is taking energetic steps to modify those provisions of the La Follette Seamen's Act which is believed put American-owned ships at a competitive disadvantage compared with those of other nationalities, not very much is expected from any possible changes in the way of a direct reduction of operating costs. Their benefits should rather be in the direction of increasing efficiency and improving ship discipline.

"The high rate of wages paid to American seamen and officers does not depend on any legislative enactment," said Mr. Marvin. "It is due to the fact that the American shipowner must compete in the American labor market with every other American employer of labor.

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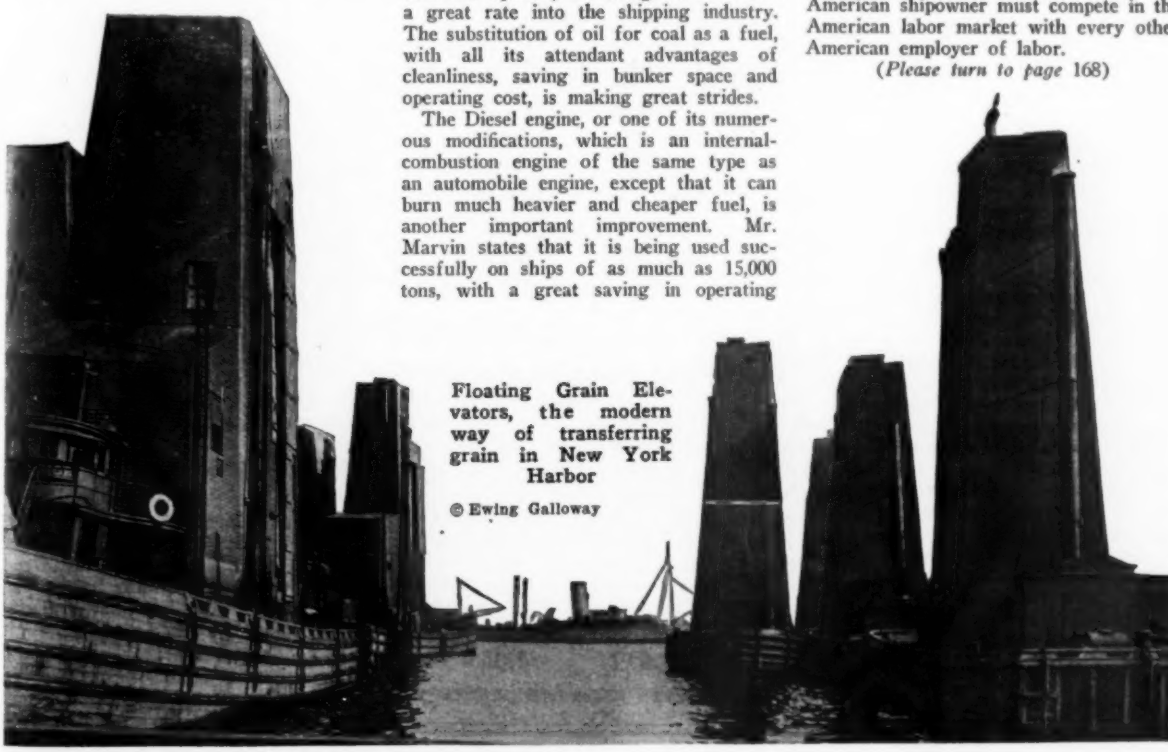
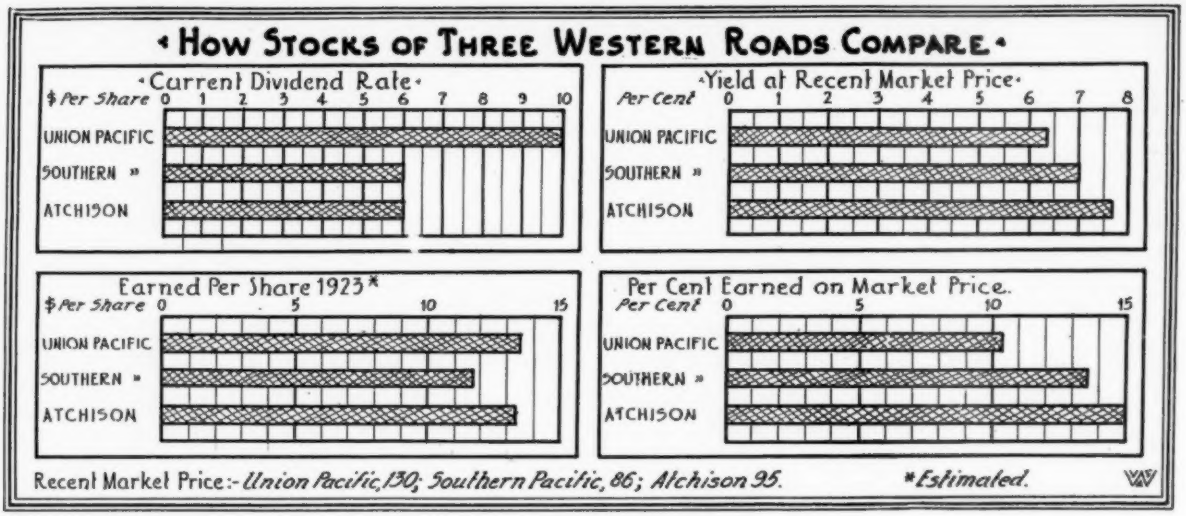


Floating Grain Elevators, the modern way of transferring grain in New York Harbor

© Ewing Galloway



Recent Market Price:- *Union Pacific, 130; Southern Pacific, 86; Atchison 95.* **Estimated.*

Southern Pacific *Union Pacific* *Atchison*

A Railroad Epic of the Far West

Rapid Growth of the Three Southern Transcontinentals Based on Agricultural and Industrial Expansion on the Pacific Coast and Far West

By JOSEPH M. GOLDSMITH

THE history of the three great railroad systems serving the southern tier of western states has its parallel in the rapid development of this territory. It was not until 1869, when the Central Pacific and Union Pacific came together near Ogden, Utah, that all rail communication between the East and the Far West was inaugurated. The Southern Pacific and finally the Atchison built up systems extending from the Mississippi Basin to California.

The western portion of these lines ran through a country possessing at the outset a sparse population. There were some fairly large settlements in California, but the wide expanse between the Rockies and the Coast was virtually empty. Consequently traffic was extremely light and did not produce sufficient earnings to cover interest on the funded debt incurred in the construction of these roads. Under such conditions, financial difficulties were inevitable. Although the Southern Pacific maintained a clean record, the Atchison was twice reorganized in the Nineties, and the Union Pacific in 1897, when Harriman took the reins and undertook the rehabilitation of the system.

TOTAL OPERATING REVENUES PER MILE
(In Thousands)

Year	Atchison	Southern Pacific	†Union Pacific
*1913	$11,907	$15,089	$14,393
*1914	11,216	14,254	14,129
*1915	11,404	14,906	14,251
1916	14,058	17,407	18,958
1917	16,336	19,976	21,262
1918	18,825	21,840	27,239
1919	20,769	24,085	30,664
1920	24,489	29,447	36,183
1921	21,349	28,186	31,319
1922	21,622	27,494	29,202

* Years ending June 30.
† Union Pacific R. R. Co., not including Oregon Short Line, Ore., Wash. R. R. & Nav. Co., or Los Angeles Salt Lake R. R. Co.

FREIGHT TRAFFIC DENSITY
(In Thousands)

Year	† Union Pacific	Southern Pacific	Atchison
*1913	1,093	752	762
*1914	1,051	732	1,051
*1915	1,045	663	745
1916	1,707	1,062	1,046
1917	1,899	1,302	1,250
1918	2,220	1,275	1,247
1919	2,295	1,217	1,145
1920	2,298	1,249	1,177
1921	1,598	990	888
1922	1,699	1,055	1,019

* Years ending June 30. †Union Pacific R. R. Co. only.

With the influx of population, these companies gradually attained a high degree of financial stability and today each occupies an enviable credit standing. In the process of filling up the territory, the railroads themselves took a leading part. It is only by making it attractive for immigrants to settle along its right of way that a railroad projected across a new country can augment its earning power.

This in a general way is the story of the transformation of the transcontinental roads operating in the southwest from unprofitable enterprises into highly lucrative properties. Let us examine in greater detail the agricultural and more recently the industrial development of these western states.

The Growth of California

The Atchison and the Southern Pacific have their western termini in California. Although the Union Pacific Railroad ends at Ogden, it works in close unison with the Central Pacific, and, therefore, much of its through business either originates in or is destined for that state. The Union Pacific also has its subsidiaries, the

Oregon Short Line and Oregon, Washington R. R. & Navigation Co. which extends its system to the Pacific Northwest, and for this reason does not depend on California traffic to as great an extent as the other two lines. It has recently purchased complete control of the Los Angeles and Salt Lake R. R. which gives it a line to Los Angeles.

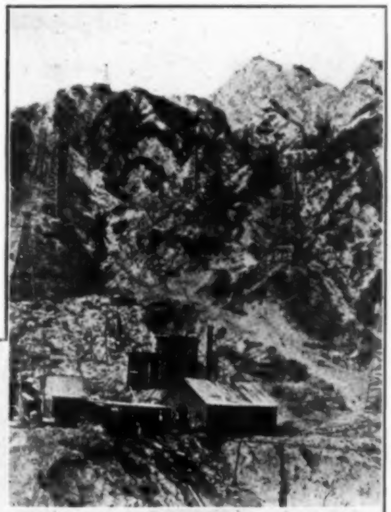
California has made the greatest progress of any of the southwestern states. Such states as Utah, Nevada, Arizona and New Mexico have not reached the stage where they produce more than a very moderate volume of railroad business. They are not favored by climatic conditions, and, although the last decade has witnessed some advance in agriculture and mining, they possess a very small population.

In 1900, California had a population of only 1,485,000 while at the time of the last census it had grown to 3,426,000. In the former year, it was the twenty-first state on the basis of the number of inhabitants, while in 1920 it ranked eighth. The value of its farm lands rose over 300%. In the ten-year period from 1909 to 1919 the total value of its crops increased from 146 million dollars to 589 millions. The fruit business has been its big revenue producer.

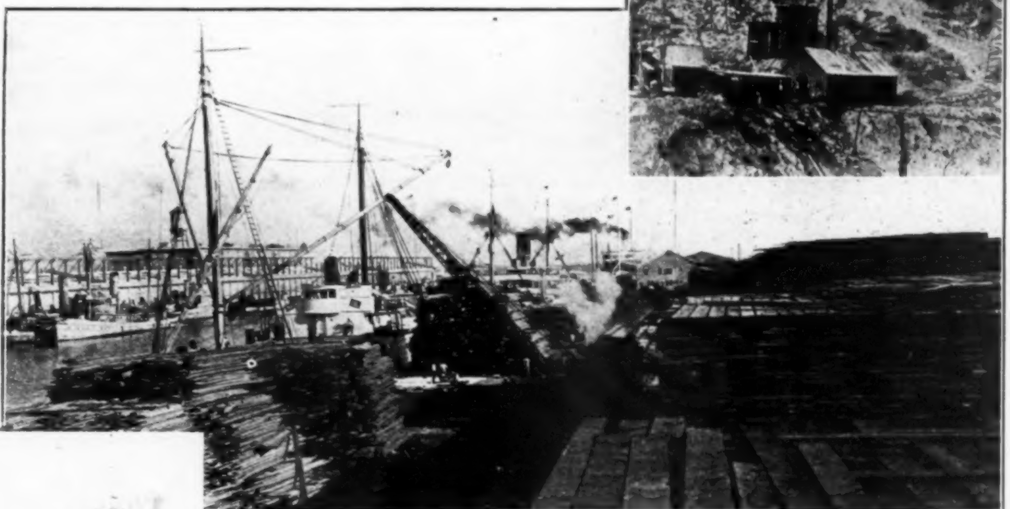
The petroleum industry, and the preserving and canning of fruits and vegetables now lead from the standpoint of the value of the product. The output of the former was worth $17,878,000 in 1909, and ten years later had risen to $213,292,000. The canning industry turned out goods valued at $32,914,000 in the former year while in 1919 it reached the total of $219,228,000.

The war gave manufacturing on the Pacific Coast a powerful impetus, but in the sense that we know it in the East is still in its infancy. The West in no way rivals the great industrial section of the East, and there is no prospect of it doing so for a long time to come. Nevertheless, factories are being built rapidly, and, when compared to the manufacturing activity that prevailed a decade or more ago, represents a noteworthy achievement.

Even the mountains have oil in California, which is now one of the biggest oil-producing states of the Union



San Pedro, Harbor of Los Angeles, one of the most rapidly growing centers of coastwise and foreign trade in the United States



Citrus Growing

A valuable California crop. On chilly Spring nights the California citrus fruit grower fights off Jack Frost in this unique manner with the use of big oil heaters. Let the mercury slip below the danger point, and a squad of "smudgers," as they are called, goes through the citrus groves, lighting up these oil heaters

Effect on Railroad Tonnage

It is not surprising in view of the figures given above that the volume of railroad traffic has tremendously increased. The outward movement of fruits and vegetables and crude and refined petroleum has expanded with the growth in production. Because of the additions to population the consumption of manufactured articles has been similarly enhanced and the inward movement of commodities has furnished the railroads with a westbound traffic. It must not be assumed that the development of California is entirely responsible for the increased tonnage which these railroads have obtained. Each operates over a wide territory and draws its traffic from many sections, but the business at the western end has accounted for a considerable part of the increase.

In the period from 1909 to 1922, the number of tons of revenue freight handled by the Atchison and the Southern Pacific has in each case advanced by almost 100%. That of the Union Pacific system has not expanded at as rapid a rate due to the smaller increase on the northwestern portion of its lines. If we compare the growth in volume of traffic of the southern transcontinental roads with those in the north we find a much healthier expansion on the former. This discrepancy largely explains the curious phenomenon of such companies as Atchison and Southern Pacific doing almost as well as ever before in their history, while their northwestern neighbors, the Great Northern, the Northern Pacific and the St. Paul, are far below their pre-war stride.

The Central Pacific Case

For a number of years doubt existed as to the ultimate disposition of the Central Pacific. This line, which extends eastward from the Coast to a connection with the Union Pacific at Ogden, has always been part of the Southern Pacific System. It was built before the Sunset

(Please turn to page 162)

Wabash Railway Co.

The Rejuvenation of Wabash

Upbuilding of Property and Increased Efficiency of Operation Since Reorganization Bearing Fruit

By ARTHUR J. NEUMARK

FEW roads in the country have passed through a more trying decade than Wabash. Under the management of the Gould interests, this road was run on the rocks of receivership. Prior to the reorganization, the road controlled the Wheeling & Lake Erie Ry., but this control was lost through reorganization and today no relationship between the two roads exists. The latter road has never been a paying proposition and the Wabash system today is consequently a stronger organization than it would be if fettered by the weaker system. Briefly, the reorganization in 1915 resulted in three outstanding benefits.

First, funded debt was scaled down and interest charges reduced by about $900,000. Second, a new and capable management under William Williams and Robert Goelet bought control, and third, the burdensome load of the Wheeling & Lake Erie property was disposed of.

The Upbuilding Process

The new management was fortunate in taking over the property just prior to two years of exceptional railroad prosperity. Good results were obtained almost immediately. In the first year after the reorganization, 1916, net income available for interest charges amounted to 8.5 millions or 2.7 times interest requirements, and the equivalent of $11.70 a share on the 462,000 shares of 5% preferred "A" stock then outstanding. In 1917, earnings amounted to $9.10 a share on the preferred A. Actual operations in the following three years of Government Control resulted in deficits in two of the years, but Federal guaranty was sufficient to enable the road to report a total surplus above all charges of 4.4 millions for the entire period. The return of the road to private management in 1920 again marked a turn in railroad earnings. Earnings from operations recovered considerably and in the years 1921 and 1922, a total of approximately 3.2 millions was added to surplus. Thus in the seven years following reorganization about 17.2 millions was put back into the property. During that period investment in road and equipment increased from 195 to 224 millions and a working capital deficit of 14 millions was turned into net working capital of 4.3 millions.

Growth of the Road

The road has enjoyed a rapid growth and its steadily increasing volume of traffic is being handled with increased efficiency. The years 1915 and 1922 furnish a fair ground of comparison as they were both years of reduced volume of traffic and came two years after periods of unusually heavy business.

In 1915, Wabash handled over 13,473,000 tons of freight and last year carried over 15,629,000 tons, an increase of about 15.6%. In 1915, the traffic density of the road, that is, the number of tons of freight carried one mile per mile of road operated, amounted to 1,278,000 but increased to 1,589,500 in 1922. Correspondingly, the average length of haul, average revenue train load, average number of loaded cars per train and the per cent of loaded to total car mileage all increased materially, reflecting greatly increased efficiency of operation under the new management.

Gross earnings of the road increased 98% in the period from 1915 to 1922, peak earnings being recorded in 1920, when gross was over 106% above that of 1915. In the seven year-period, the funded debt of the company increased slightly less than 19%, adding approximately $600,000 to annual interest charges. There was no change in the capital stock other than the conversion of approximately $48,726,000 of Class B preferred stock, equally into Class A preferred and common stock. There was but $8,571,842 of Class B stock outstanding on December 31st last and when this is converted there will be outstanding approximately 705,000 shares of Class A stock and 678,000 shares of common stock.

The management has been liberal in its maintenance charges ever since assuming control, and as a result the road and equipment is in first-class condition today. Following is a comparison of maintenance per mile of road and in percentage of gross with competing roads and those carrying somewhat similar diversification of traffic.

Maintenance Charges

	(a) Per Mile of Road 5 yr. avg. 1917-1921	1922	% of Gross 5 yr. avg. 1917-1921	1922
Wabash	$3,051	$3,344	33.8%	35.6%
Pere Marquette	1,750	2,032	32.4	31.9
N. Y., Chic. & St. Louis...	2,550	(b)2,900	29.4	29.4

(a) Expenditure for way and structure only.
(b) The Nickel Plate is a single track road and therefore its actual per mile figures should be about twice as large as those of the other roads. In order to give a fair basis of comparison the actual figures have been cut in half.

Although net earnings this year are breaking all previous records, this excellent showing is in no way being made at the expense of maintenance.

For the first eight months, the road expended about 6 millions for maintenance of way and structure, an increase of approximately $500,000 over the corresponding period of last year. Expenditures for maintenance of equipment were 1.8 millions in excess of the corresponding period of last year, an increase of over 24½%. These large expenditures are reflected in the very small percentage of unserviceable equipment on the road. On August 31st, last, but 20.3% of locomotives were unserviceable, compared with 24% at the same time

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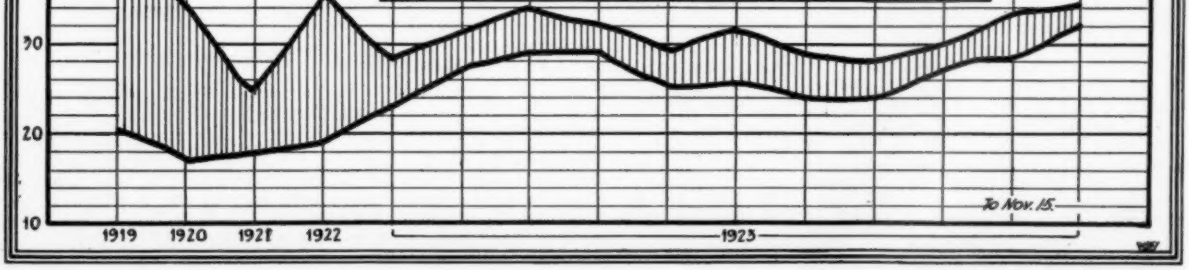

Great Northern Railway

Remarkable Come-Back in Great Northern's Earnings

Stockholders Greatly Reassured by Recent Showing

By HORACE P. WALTERS

GREAT NORTHERN'S net earnings for September of $3,508,200.22 were the largest for any month in nearly two years and the largest September since 1915. The improvement in net earnings month by month has been very marked, and, with preliminary estimate for October available, it is clear that the net for the year 1923 will be the largest since 1916 or 1917, prior to Federal control when the dislocation of revenues and expenses commenced. Monthly figures for the period April-September, 1923, are as follows:

	Net Earnings
April, 1923	$432,212
May	882,136
June	1,814,629
July	2,469,897
August	3,005,800
September	3,508,200

With the estimate of car loadings for October at hand, it is believed that the recent increase of approximately $500,000 per month has been fully met in October, giving over $4,000,000 net for that month. This will compare favorably with the $4,104,777 average for the three Octobers of the Test Period of 1914, 1915 and 1916, used to establish the amount of "Standard Return" paid by the government to the railroads for use of their property during Federal control.

Reasons for Improvement

Some of the reasons contributing to this showing are increased car loadings, a plentiful supply of cars and reduction in expenses, particularly coal.

In 1923, car loadings have uniformly, month by month, run ahead of those for 1922. October is the fifth consecutive month to show over 100,000 cars, and was exceeded by only one previous October, in 1912, but in ton miles October, 1923, exceeded October, 1912, because of heavier loads per car and longer average haul. The increase in long-haul traffic is especially gratifying. The October, 1923, movement eastbound over the Rocky Mountains was nearly 20% heavier than for any previous month and 45% heavier than any month except the previous peak in October, 1921.

Despite the short grain crop in North Dakota over 300 more cars of grain were handled in October, 1923, than in October, 1922, the loss in the Dakota crop being replaced by the longer haul Montana grain.

The movement of apples from the Wenatchee, Washington, country, a haul of 1,600 miles, has been heavier than ever before, over twice as many cars being handled in October, 1923, as in October, 1922, the increase averaging 135 cars per day. Very substantial increase in loading of potatoes, live stock, forest products, coal, ore, etc., is also noted.

Preliminary estimates of revenue for October, 1923, indicate that previous records of largest month's gross will be equalled or exceeded, notwithstanding the substantial rate decreases made since last previous highs.

Plentiful Car Supply

One of the important factors in showing a substantial gross is a plentiful car supply, and this factor is decidedly in Great Northern's favor. Latest figures show that there is 100% ownership of box cars on line compared with 75% at the same time last year, a difference of over 7,700 cars, and because fewer cars are in need of repairs this year, the increase in effective box cars is over 8,200. There has been practically no car shortage in Great Northern territory this year, while last year an acute car shortage was prevalent.

In the matter of expenses there has been a decided improvement, particularly in the cost of fuel. This is due to several causes. In the first place the cost per ton of coal has been on a downward trend for over a year, and in September, 1923, was 1/3 less than for September, 1922. The substitution of oil for coal in Western Montana, Idaho and Washington resulted in an increase in oil consumption in September, 1923, of 75% but the cost of fuel per transportation unit produced is less for oil than for coal in this territory. Add the all round better operating performance of heavier train loads and increased speed, this year compared with last, resulting in a 12% decrease in unit fuel consumption, and it is not surprising to record a decrease in fuel cost for September, 1923, compared with September, 1922, of $400,000 notwithstanding an increase in ton miles of 11%, and an increase of 5% in passenger train miles.

Due to saving in fuel and reduction in other transportation expenses from heavier train loading and faster train movements, the transportation expenses in September, 1923, were $640,700 less than for the same month in 1922, although the freight revenue increased $492,978.

The heavy maintenance expenditures in the early part of 1923 are making themselves felt, as the percentages of cars and locomotives needing repair are as low as

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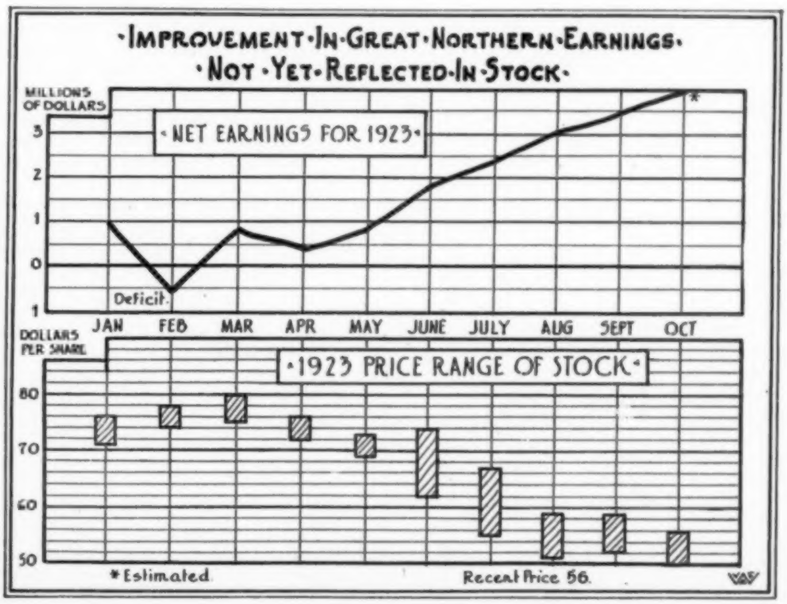


Bonds

Ten Attractive Bond Investments

Requirements of a Bond Investment in the Present Market—Real Versus Apparent Diversification

By ROBERT C. NICHOLS

THE growing volume of sales and improving price trend which have featured the bond business for the past month or so indicate that it is time for the careful investor to revise his investment position to see if it is in accordance with the changed outlook. Remembering that a bond is normally purchased to be held for several years, he should make his calculations on the basis of the probable trend of money rates for some years to come.

Looking at the matter from this point of view, it seems likely that the long-term trend of interest rates is down. The accumulation of gold in this country, which is continuing at unabated speed, has built up a strong credit position for the banks, which is not likely to be impaired by any credit expansion now in sight, and should tend to keep rates low. A generally lower rate of business, or at least, a growth slower than the growth of investment capital, is also expected to mark the next few years. On both accounts bond yields, in common with other forms of money rates, should be lower than in recent times, and the expected deflation of wages and commodity prices over a five-to-ten-year range should help lower bond yields.

From the long-term point of view, therefore, bonds appear to be in an unusually favorable position, as a class. This impression is confirmed by a consideration of the bond outlook from the viewpoint of the more immediate future. Current business requirements are comparatively low, and, while a revival is expected in the early part of next year, its effects on money rates will not be felt for some time. The seasonal decline in the demand for credit, which usually follows the close of the crop-moving period, is now in full swing, and, with a few spectacular exceptions, commodity prices are still heading downward, so that a given volume of business can be financed with less capital and credit than would have been required in the early part of this year, leading to a lessening of pressure on the money market.

Technical Position Strong

The technical position of the bond market appears to be strong, as well. Bond salesmen are finding less difficulty in disposing of meritorious offerings than has been the case until quite recently, while the various open bond markets show a greatly improved tone, with strengthening prices in the better classes of bonds. Another noteworthy feature has been the ability of the market to absorb in rapid succession a number of fairly large offerings ranging from 20 to 100 million dollars with no signs of overloading.

While signs are thus multiplying that the investor should begin to pay more attention to the bond market, this by no means should be taken to mean that any kind of bond, so long as it is fairly good and yields a satisfactory return, should be bought at the present time.

If the above analysis is correct, and if the short swing and the long-pull trends of the bond market both indicate a downward tendency in bond yields which means, of course, an upward tendency in bond prices, it is clear that bonds with a long time to run before maturity will benefit proportionately much more than those whose maturity is close.

In applying this test, however, as in all others, the investor should remember that what is good for one is not necessarily good for another. To take an extreme case, it may be profitable for a national bank to purchase United States 2% Panama Canal bonds, maturing in 1936-38, at 104, at which price the yield is somewhat under 2%, because of the circulation privilege attached to these bonds. For a private investor to purchase them, however, would be a waste of money.

The great principle to remember is never to pay for something that you don't need. For some investors, for instance, it makes no difference whether their securities are or are not readily marketable. They may have large cash resources, or a steady income from other sources. Such investors need not hesitate to buy perfectly good bonds with a narrow market, if they never expect to sell them, although it would not be wise for them to limit investments to this type of bond. On a security with limited marketability the investor may often get a yield of fully 1% a year higher than on an equally good bond enjoying a ready market. To buy the latter type of bond, he has to sacrifice this 1% of yield, to get something, marketability, which is of no use to him.

On the other hand, a business man seeking to invest his surplus during a dull period in his own line of business, should

TEN DIVERSIFIED INVESTMENT BONDS

Company	Description	Coupon Rate	Maturity	Amount Outst'ding ←(In Millions→	Total Jr. Securities ←(In Millions)→	Av. Times Int. Earned Last 5 Yrs.	Recent Price	Yield on Recent Price
Anaconda Copper Mining Co.	1st consolidated mtge.	6	1953	$107.7	$200.0	2.34	96½	6.26
Bethlehem Steel Co.	Purchase money and improvement	5	1936	22.3	†239.2	2.30	88½	6.30
Bush Terminal Buildings Co.	1st, sinking fund	5	1960	8.4	7.6	1.85	92	5.51
Columbia Gas & Electric Co.	1st mtge.	5	1927	*11.2	52.6	6.90	97	6.10
Hudson & Manhattan R. R. Co.	1st and refunding	5	1957	37.5	79.1	1.68	81	6.37
Pacific Gas & Electric Co.	General and refunding	5	1942	35.8	‡121.4	2.05	90	5.87
Public Service Corp. of N. J.	Gen. mtge.	5	1959	32.1	62.1	1.75	78½	6.56
South Porto Rico Sugar Co.	1st, collateral, sinking fund	7	1941	6.0	16.2	2.20	101	6.90
Utah Power & Light Co.	1st, gold	5	1944	25.8	56.6	1.60	88½	5.97
Wilson & Co.	1st mtge.	6	1941	23.1	55.5	1.35	95¼	6.40

* Exclusive of 3 millions in the Co.'s treasury. † Bonds of a subsidiary of Bethlehem Steel Corp.; "junior securities" are total of preferred and common stocks of latter. ‡ Including $1.7 millions of the holding company's stock held by subsidiaries.

consider liquidity and stability of market price above everything else. If he buys a very inactive bond, on which the spread between bid and asked prices amount to 5 points or more, as is not unusual, holds it for six months or a year, and then loses nearly the whole year's interest in the loss due to selling on a weak market, he has made, on the whole, a very unsuccessful investment.

It would be no use to him to point out, as mentioned above, that over a period of years the long-term bond is apt to show a larger percentage of appreciation over the purchase price than the short-term one, if he has no intention of holding the bond long enough to reap these benefits. Should he buy the long-term issue, he would be paying for something that he does not need.

Certain Restrictions

Some types of investors, in addition, are subject to certain restrictions which limit their field of action to securities which may not necessarily be the most desirable at any given time. Such are institutions, like savings banks, national banks, and insurance companies; trustees, and funds set aside under special trust agreements.

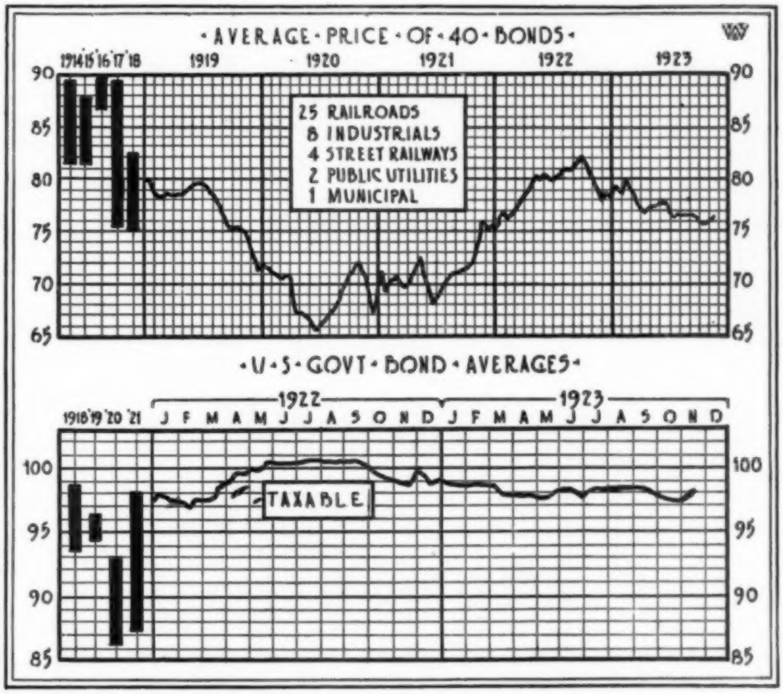
It would evidently be absurd for the small investor to decide to invest in such securities, and such only, as are permitted to savings banks, say, or to trustees, under the various State laws. He might be tempted to follow their example, to take one instance only, in investing a considerable part of his money in mortgages whose investment merits he, as an individual, has no means of ascertaining. On the other hand, in following too literally the legal requirement that railroad bonds, to be suitable for savings-bank investment, must be followed by stocks on which dividends have been paid at not less than a specified rate for not less than a specified number of years without a break, he is liable to reject a number of promising investments of substantial merit.

This illustrates again the principle that the needs of different investors vary, and that each case should be decided on its own merits. This applies even to the general idea of diversification, which is usually held to be sound without regard to person, time or place.

Real diversification is undoubtedly a strengthening element in any investment list. It must be carefully distinguished, however, from merely apparent diversification, which happens when a number of different securities are subject to the same influences, and so do not really diversify the risk.

Test of Diversification

To take a simple illustration, a small investor would not diversify his holdings by splitting them between junior bonds of the Chesapeake & Ohio Railroad and the preferred stock of the Pittsburgh Coal Co., as both his securities would be unfavorably affected by a slump in the coal business, which constitutes one of the main items of freight on the C. & O. In the same way, there is no diversification as between Consolidated Textile, say, and International Agricultural, which sells fertilizer to Southern cotton planters; both prosper when cotton is high, and suffer when cotton declines.



The test of diversification is, therefore, whether the effects of a given set of business influences on a number of different securities is similar or different; if the effects are similar, the list is not diversified. There are, according to this test, as many different kinds of diversification as there are different kinds of business factors, and each represents a different kind of insurance against complete disaster.

For instance, roughly speaking, when commodity prices go up, stocks go up and bonds go down; when prices go down, bonds go up and stocks go down. An investment list that contains both stocks and bonds is, therefore, to that extent, fortified against extreme movements of security prices in either direction, by a sort of hedging process.

The same kind of hedging may be applied to individual industries, and to that extent, will fortify the entire list. A simple illustration is to be found in the accompanying list, in the combination of the Anaconda bonds and those of the Utah Power & Light Co. In a strong copper market, the position of the former would be strengthened, and the position of the latter, in view of the fact that high copper costs would tend to cut into earnings unless and until rates were raised, would be somewhat weakened.

It is easy to stretch this principle too far, but it shows how the idea of diversification can be carried out, even in investment lists of limited size, in great detail. The ten bonds described in the accompanying tables, for instance, represent the following industries: real estate, steel, copper, gas, electricity and traction; sugar, meats, and a small railroad. Geographically the list covers Porto Rico, New Jersey, New York City, Pennsylvania, West Virginia and Kentucky, Chicago, Utah, and the Pacific Coast.

Their maturities range from the first day of 1927 to 1960, and there is a fairly wide range of security in the form of the number of times interest has been earned, on the average, in the past five years, and the amount of junior securities outstanding.

The point of similarity is the relatively narrow range of interest yields, varying from 5.51 to 6.90%, which includes bonds that may be classified as "good to high grade." The unusually high yield on the South Porto Rico bonds is attributable to the small amount outstanding and to their relatively poor market. As they are all listed on the New York Stock Exchange, the question of marketability is of minor importance, except possibly in the case of the South Porto Rico and the Bush Terminal issues, the unusually high degree of safety of the latter compensating for this feature.

The whole point of this article will have been missed, however, if it is felt that any selected list of bonds, no matter how painstakingly made, can relieve the investor of the necessity of using his judgment as to what types of investment are best suited to his individual needs. The accompanying list should be regarded as suggestive, rather than inclusive, and in the case of larger investors, should be considered as representing only the bond department of an investment list which might to advantage include well-chosen preferred and common stocks as well.

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	§Int. earned on entire funded debt
HIGH GRADE (For Income Only)			
Non-Callable Bonds:			
Baltimore & Ohio, 4s, 1948 (b)	81½	5.35	1.35
Canadian Northern Debenture 6½s, 1946 (a)	111½	5.60	*
Delaware & Hudson 7s, 1930 (b)	108	5.50	2.10
Great Northern Genl. 7s, 1936 (c)	106	6.20	3.75
New York Central Rfd. and Imp. 5s, 2013 (c)	†95	5.30	1.65
Western Union Telegraph Co. 6½s, 1936 (a)	109½	5.60	e 8.00
New York Edison Co. 6½s, 1941 (b)	‡109½	5.60	2.30
Bush Terminal Buildings 5s, 1960 (a)	91½	5.60	1.85
Callable Bonds:			
Armour & Co. of Del. 1st 5½s, 1943 (c)	88¾	6.40	5.00
Armour & Co. Real Estate 4½s, 1939 (a)	84¾	6.00	....
Canadian General Electric deb. 6s, 1942 (a)	102¼	5.80	4.40
Duquesne Light Co. 6s, 1941 (b)	103½	5.75	3.40
Philadelphia Company 6s, 1944 (c)	100	6.00	3.50
Short-Term Bonds:			
B. & O., P. J. & M. 3½s, 1925 (b)	95	6.20	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925 (b)	95¾	6.25	1.35
Seaboard & Roanoke 1st 5s, 1926 (a)	97¼	6.25	....
Southern Pacific conv. 4s, 1929 (a)	93	5.45	2.40
Union Pacific conv. 4s, 1927 (b)	96	5.20	3.10
Dominion of Canada Internal 5½s, 1927 (d)	100¾	5.30	....
Bell Telephone Company of Canada 5s, 1925 (b)	98	6.25	2.75
Aluminum Company of America 7s, 1925 (a)	102½	5.60	....
Columbia Gas & Electric Co. 1st 5s, 1927 (b)	96¾	6.20	6.90
Fisher Body Corp. 6s, 1926 (a)	99	6.40	e 6.30
MIDDLE GRADE (For Income and Profit)			
Railroads:			
Carolina, Clinchfield & Ohio 1st 5s, 1938 (c)	92	5.80	1.45
Chesapeake & Ohio conv. 5s, 1946 (b)	89¼	5.90	1.55
Cuba R. R. 1st 5s, 1952 (a)	83¾	6.25	2.45
Chicago & Eastern Illinois Gen. 5s, 1951 (c)	77½	6.85	f 1.15
Erie & Jersey 1st 6s, 1955 (a)	88	6.90	1.31
Kansas City Southern Rfd. and Imp. 5s, 1950 (a)	85	6.15	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962 (c)	78	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931 (a)	101½	6.25	1.50
N. O. & N. E. Rfd. and Imp. 4½s, 1952 (a)	80	6.00	2.70
St. L. & S. F. Prior Lien 4s, 1950 (c)	66	6.85	1.10
Western Pacific 1st 5s, 1946 (c)	79¼	6.85	2.30
Industrials:			
Anaconda Copper Mining Co. 1st 6s, 1953 (b)	96½	6.25	g 1.25
Bethlehem Steel Co. 5s, 1936 (a)	88½	6.35	2.30
Computing Tabulating & Recording 6s, 1941 (b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941 (c)	114½	6.55	5.80
B. F. Goodrich 1st 6½s, 1947 (b)	97	6.75	2.70
Hershey Chocolate Co. 6s, 1942 (b)	99	6.10	2.50
South Porto Rico 1st Mtg. and Col. 7s, 1941 (b)	101	6.90	2.20
Union Bag & Paper Co. 6s, 1942 (b)	96½	6.35	dd 4.00
U. S. Rubber 5s, 1947 (c)	84⅞	6.20	4.00
Wilson & Co. 1st 6s, 1941 (a)	95½	6.40	1.35
Public Utilities:			
Amer. Water Works & Elect. Corp. Col. 5s, 1934 (c)	85	7.10	1.80
Dominion Power & Transmission 1st 5s, 1932 (a)	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951 (c)	85½	6.10	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954 (a)	81½	6.40	5.00
Manhattan Railway Cons. 4s, 1990 (a)	57	7.00	g 0.50
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942 (a)	90½	5.90	2.05
Public Service Corporation of N. J. 5s, 1959 (a)	80	6.40	1.75
Utah Power & Light 5s, 1944 (a)	88	6.00	1.60
United Fuel Gas 6s, 1936 (b)	94½	6.65	5.85
Virginia Railway & Power 5s, 1934 (a)	87¾	6.65	1.90
SPECULATIVE (For Income and Profit)			
Railroads:			
Chicago Great Western 1st 4s, 1959 (a)	47	9.00	0.85
Erie Genl. Lien 4s, 1996 (b)	50¼	8.00	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014 (c)	56½	8.90	1.02
Iowa Central 1st Mtg. 5s, 1938 (a)	61	10.30	0.80
Minneapolis & St. Louis 1st cons. 5s, 1934 (a)	66	10.60	....
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967 (c)	50	10.10	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955 (c)	71	8.70	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934 (c)	74	8.30	....
Seaboard Air Line 4s, 1950 (a)	57¼	7.90	1.14
Western Maryland 1st Mtg. 4s, 1952 (a)	57½	7.80	1.20
Industrials:			
American Writing Paper Co 6s, 1939 (a)	49½	14.20	1.30
Cuba Cane Sugar 7s, 1930 (c)	87½	9.70	1.80
Empire Gas & Fuel 7½s, Series "A" 1937 (c)	90	8.75	3.30
International Mercantile Marine 6s, 1941 (b)	80½	8.10	3.25
Virginia-Carolina Chemical 7s, 1947 (c)	83	5.70	1.20
Public Utilities:			
Chicago Railways 1st 5s, 1927 (a)	75¼	14.20	1.08
Federal Light Traction 7s, 1953 (b)	98	7.15	2.10
Interboro Rapid Transit 5s, 1966 (a)	59	8.60	0.90
Third Avenue Railway Rfd. 4s, 1960 (b)	51¾	8.20	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (dd) Average last two years. (d) Lowest denom., $50.

e Average last three years. f 1922. g Average last four years. i Does not include interest on adjustment bonds.

BONDS

Strength Shown in All Departments

THAT the investment demand had only been temporarily interrupted by the low prices caused by recent bearish efforts in the stock market was amply demonstrated by the action of bond prices during the past two weeks. The quick oversubscription of the $100,000,000 5½% debentures offered by the American Telephone & Telegraph Company was followed by strength in all departments of the bond market. High-grade rail issues were fairly active, such representative securities as the Atchison general 4s, Union and Southern Pacific 4s and Pennsylvania general 4½s, changing hands at higher prices. Baltimore & Ohio first 4s also made a new high at 81½. All Government loans were firm. With the outlook for continued ease in money rates, the bond market should continue to reflect investment demand.

While speculative issues had previously displayed special weakness, which was only natural in view of the assaults on stock prices, the change in trend was immediately reflected in this division. St. Louis & San Francisco adjustment mortgage 6s gained over 3 points. Erie general lien 4s again sold above 51. The M. K & T. Seaboard Air Line and Chicago, Milwaukee & St. Paul bonds were higher. The feature among the speculative rails, however, were the Minneapolis & St. Louis consolidated 5s. These sold at 66½ up over 11 points from their low point following announcement that the Minneapolis & St. Louis had been placed in the hands of receivers. This resulted in hasty and ill-advised liquidation by timid holders who overlooked the strong position of the bond in its mortgage rights on the strategically important properties covered by the issue.

Public Utilities were quiet. Public Service of New Jersey 5s continued their advance, selling above 80. On the other hand, the N. Y. City tractions were weak. Interborough Rapid Transit 5s were lower and there was a sharp break in the Third Avenue issues. The refunding 4s at 50¾ were off almost 6 points. The income 5s sold above 40. However, a fair demand appeared at the low levels. Weakness was due to the lower earnings of the company, although the latest statement showed interest charges covered. Manhattan Elevated Ry 4s were steady. Brooklyn-Manhattan Transit 6s barely held their own.

Industrials Strong

There were a number of strong spots in the industrial division. Cerro de Pasco 8s sold at 123, up 11 points. Anaconda first 6s and convertible 7s also recovered practically all of their previous loss. International Mercantile Marine 6s sold at 81 and the Virginia-Carolina 7s at 84. Sugar issues were steady, although they took no prominent part in the trading. A weak feature were the American Writing Paper 6s, which continued their decline to 49, National Acme 7½s also sagged to a new low of 90. These were practically the only exceptions to the general upward trend.

Has the I.V.C. Stirred Up a Hornet's Nest in Philadelphia?

In Which Mr. Barbour of the I.V.C. Replies to Mr. Moore of the City of Brotherly Love

SOME folks persist in the belief that juvenile proclivities predispose adult activities. Be that as it may, the writer can vividly recall that in the days of blue overalls, bare feet and freckled face, a mid-summer delight was to "peg" stones at hornets' nests. Therefore, the claim of the psycho-analysts appears to have been proven, for when, in the October 27th issue of THE MAGAZINE OF WALL STREET, Philadelphia was pictured as not only the cradle of liberty but also the cradle of financial fakes, a hornet's nest was stirred up.

Mr. W. C. Moore, Editor-in-Chief of the Keystone Publishing Company, Bourse Building, Philadelphia, the other day, sent a letter telling the writer just exactly "where he gets off at." We shall endeavor to keep our sequence straight.

The First Question

Mr. Moore arises to inquire: "Who is Mr. William H. Barbour, and who is, what is, or what are the Investors' Vigilance Committee, Inc.?" It looks as though we got under Mr. Moore's epidermis.

The Philadelphia editor knows, or at least should know, that most newspaper and magazine writers are very, very modest men. Suffice to say that the writer is thirty-five, has blue eyes, is somewhat bald, has graduated from the blue overalls class and now wears number eights and thinks he knows something about the wiles of smooth-tongued stock salesmen, and the wares they are peddling. Of course, we have not forgotten the old injunction that "A little learning is a dangerous thing." The writer is NOT the Investors' Vigilance Committee, Inc.

The Investors' Vigilance Committee, Inc., is a corporation of the State of New York. It was organized at the suggestion of certain members of the American Bankers' Association and secretaries of Chambers of Commerce for the sole purpose of providing an organization to gather information on securities offered the public, and express an impartial opinion as to their approximate degree of investment or speculation. The Committee is really the members—local Chambers of Commerce, Boards of Trade and Bankers' groups—who annually contribute membership fees. The headquarters of the Committee are at 42 Broadway, New York. Its staff is constantly engaged in gathering and analyzing information on securities. This information is cleared through headquarters to the subscribing members. In addition, the Committee, through its subscribing members, conducts in local communities educational campaigns warning the public against investing before investigating.

Does Not Buy or Sell

The Committee does not advise either purchasing or selling any securities. It gathers the facts as it finds them and passes these facts on to its membership. Our members in turn endeavor to protect the public. Every security must stand the test to which it is subjected by this Committee. The Committee is positively not interested in any particular stock. It owns none, and will buy none, and, therefore, can sell none. This rule also applies to the writer. Therefore, Mr. Moore need not lose any sleep over the possibility of the Committee or the writer coming along at a later date and endeavoring to unload stock on the public with consequent profits to ourselves.

Here is another question he asks: "Do you happen to know whether any of the fake stock promoters, who have made their headquarters in Philadelphia within the last few years, came from New York originally?"

Yes, we know of some concerns that did migrate from New York to Philadelphia. We also know of some Philadelphia concerns that recently folded their tents, "toted" them across New Jersey and pitched them in New York. It is our opinion, that it is a case of "tit for tat."

Another question: "Did you ever hear of a large failure in the so-called legitimate stock broker's business in Philadelphia, where the Philadelphians who lost their money had a hard time to recover some of the assets from a New York stock brokerage house, which had obtained control of the Philadelphia firm?"

Our answer to this is Yes. We do know of such a case.

Another question: "Will Mr. Barbour, before he finishes his series of articles, in which he promises to cover the situation in a number of large cities, dip his buckets where they are, and tell the world about some of the fake schemes that are pulled right along from New York headquarters?"

You may be sure, Mr. Moore, that we are going to do that very thing. In fact, in our Philadelphia story we called attention to the fact that "just because a firm has its office in Philadelphia or New York, Buffalo or Chicago, or some other large city, does not mean that the stock-jobbing scheme is any less of a gamble than the securities of a firm located right in the heart of the oil fields or mining camps."

We are deeply appreciative of the personal thanks expressed by the writer of the letter mentioned for our statement, toward the conclusion of the article in question, "All we say is, Philadelphia has not completely cornered the stock-promotion schemes of the universe." Mr. Moore

(Please turn to page 177)

Independence Hall in Philadelphia, "The Cradle of Liberty"

JOIN THE I.V.C.

The I.V.C. (Investors' Vigilance Committee) operates in co-operation with THE MAGAZINE OF WALL STREET *and with Chambers of Commerce throughout the country in stamping out frauds, fakes, swindles and bamboozlements in the stock-selling game. For the purpose of presenting regularly the work of the Committee, these pages are donated by The Magazine. While the statements herein are not guaranteed, they are based upon information which we believe to be accurate and reliable.—Editor.*

Money, Credit and Business

Trade Shows Greater Degree of Stability

Production Well Up to Normal—Prices Again Moving Up

ALTHOUGH comparatively free of any extreme or sensational developments, the business situation during the past month has shown quite distinct progress toward a condition more stable than that which existed during the latter part of October. Starting with the declaration of an extra dividend by the U. S. Steel Corporation, there has appeared to be a certain amount of revival in the investment and stock market; and this has, to some extent, shown its effects in the actual business and production situation. There is little to show that fundamental business conditions are materially different from those of recent weeks, but there are at least some indications of a rather better tone and a greater degree of stability.

Steel and Basic Products

The steel industry, which is often given a rather unduly preponderating importance as an indicator of business conditions, has shown on the whole a tendency to decline, or at best barely hold its own in the matter of unfilled orders. The announcement for November 10 showed a falling off of 350,000 tons which, although moderate as compared with previous conditions, appears to indicate that the downward movement is approaching its end. For the moment there has been a decisive advance in some classes of new steel orders; the effect being to afford a rather brighter prospect than has been the case within recent weeks.

Some instability in prices, with apparent indication of a downward trend of values, has doubtless caused a withholding of orders in some branches, although, as already stated, the general situation has apparently been bettered. This more hopeful outlook is also characteristic of the automobile trade and is, to some extent, paralleled by better demand in copper and in a few of the chief basic products. The business indexes published by the Federal Reserve System show that, although the volume of production is lower than was true earlier in the season, it is holding its own at a substantially high figure and may be regarded as not far from normal in most lines, although there are a few where depression has occurred.

What is true of manufacturing is also true of agriculture. The Government's final reports as to cotton and cereals are now in hand and indicate that the farmer has much reason to feel satisfied with the result of the past season. In cotton there is now predicted for him a yield of 10,248,000 bales while the cotton market has promptly advanced the price to 34 cents for the December option. In such circumstances, he can hardly help enjoying a substantial degree of prosperity, notwithstanding the shortage of the crop—in some sections particularly. The wheat producer with a very satisfactory output and a farm price around $1 (the market price in Chicago for the December option being approximately $1.07) is also in a moderately good condition while many of the minor crops, so-called, are making a return which, all things considered, is fairly brilliant. In these circumstances, the productive situation from the agricultural side has been very satisfactory for the past season, and the effects of it are being seen in excellent distributive demand from the agricultural districts where trade is reported as undeniably good.

Prices and Price Prospects

Another upward movement of prices during recent weeks has gone far toward wiping out the declines of the latter part of the summer. Taking September and October together, the gain in wholesale prices is in the neighborhood of 6 points, and, although this is not well distributed, due to the continued lack of adjustment between different groups, it continues to be a significant element in the situation that the general trend is toward higher levels. This in itself has tended to improve the outlook of business men who had become somewhat dismayed at the prospect of a continued downward movement. The situation may to advantage be compared with recent developments as illustrated in the accompanying diagram which now shows the level of prices at about the same point or a trifle higher than it was a year ago.

Prospects favor a further increase in prices in a number of different lines, and the general average level of wholesale values is strongly held up by the high charge for cotton and for textiles made of cotton, as well as by the high and rising price of fuels of various kinds. On the other hand, the "slump" in oils and in copper have in a measure offset the upward impetus given in the other groups of commodities. General opinion, however, looks to a further advance. This state of things is also indicated by reports concerning the outlook for the price situation in Great Britain where the movement of prices seems to be toward slightly higher levels.

The Borrowing Problem

In these circumstances, interest rates and conditions of borrowing have naturally been watched with unusual care. Money rates have on the whole been unexpectedly stable, neither receding, as some had predicted, nor advancing, as others had believed they were likely to do. The chart for call and time money rates shows a rather narrow movement of fluctuations around 5%, and this state of things is likely to be sustained so far as can now be foreseen for some little time to come. The fact that money has not gone down more decisively has prevented the upward movement of bonds from proceeding as actively or as extensively as would otherwise have been the case. Nevertheless, the trend of money rates has been distinctly toward lower levels, and bonds have felt the effect in a rising price for these securities, particularly for those of the gilt-edged class, while rates of interest for money have lately been correspondingly more favorable to corporations since the latter have been able to supply their needs on rather better terms.

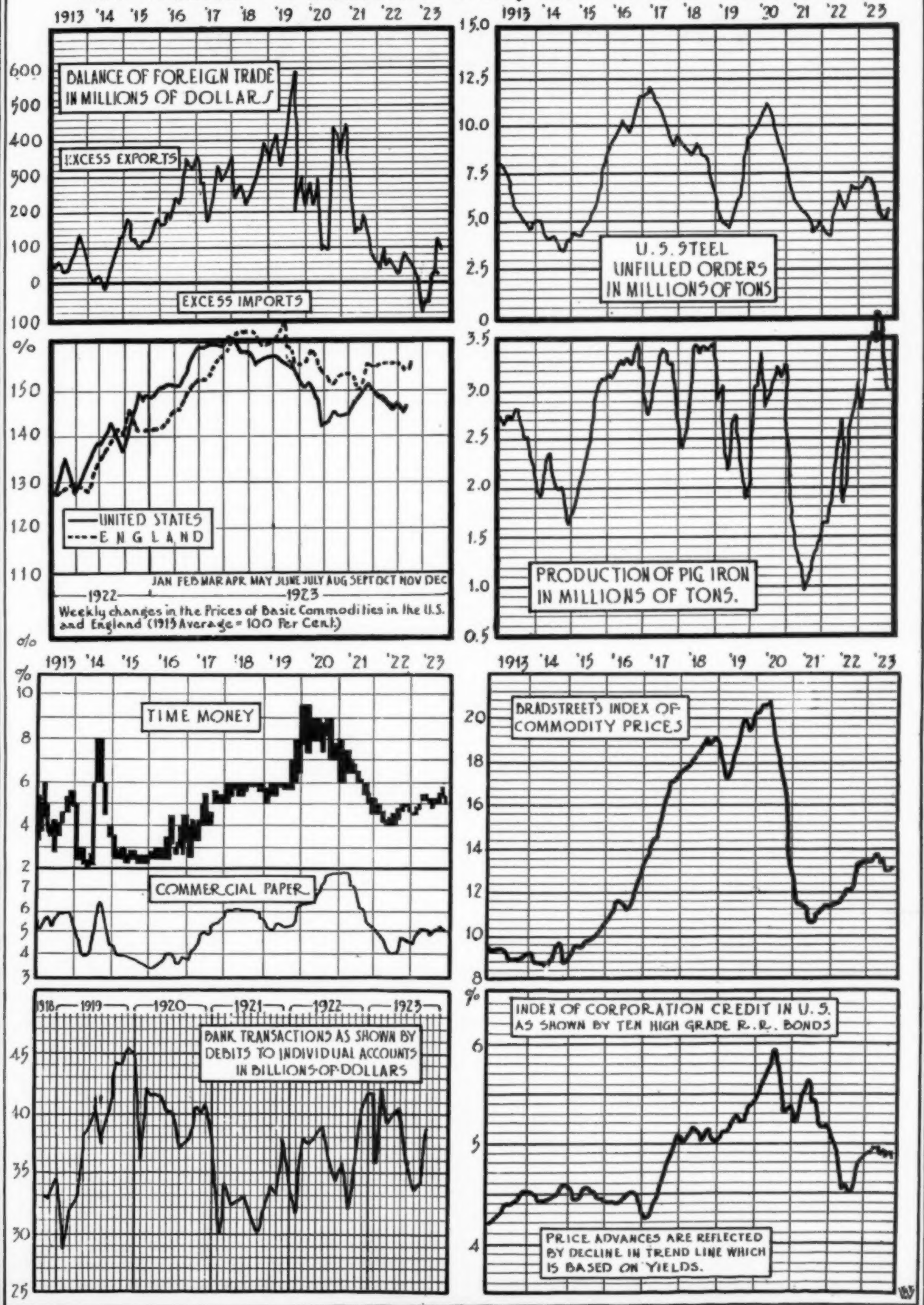
One or two large issues of securities during the montht have been very readily absorbed and without resulting in any advance of an appreciable nature in the actual current charge for corporation accommodation. The general expectation is that large corporate financing will be brought on the market from time to time during the next two months, and present indications favor the flotation of these issues at a comparatively moderate figure somewhat corresponding to that which now prevails in the market, or perhaps representing a slightly lower cost than at present to the borrower. These conditions are clearly reflected in the accompanying diagram.

Activity of Credit

Demand for credit has continued to gain ground somewhat in a few regions due to the usual seasonal increase. As a factor in the case considerable interest now attaches to the movement of bank debits. For this item, the tendency has

(*Please turn to page* 182)

THE TREND OF MANUFACTURE, TRADE AND COMMERCE



What Will Prices Be Like a Generation from Now?

What the Past Indicates as to the Future—Interrelation of Commodity Prices, Bond Yields and Security Prices

By MARTIN GOLDEN

WILL the general trend of prices be up or down for the next twenty to fifty years? This is a question whose importance to the business world is obvious at the first glance—in determining long-time business policies, in estimating future earnings of certain lines of business, and in the bond world, particularly, it is a question whose answer is of the greatest practical value.

Yet it seems as if most of the discussion of the future of prices seems based on a one or two-year trend, or at most a comparison with conditions immediately before the war, when conditions were "normal." Yet perspective is essential in getting a broad view of the business outlook, as it is essential in getting a real picture of a skyscraper, for instance—it makes a great difference whether one views it from the ground, or from the fifteenth floor of the building opposite, or from an airplane.

In the same way, if the business observer takes his starting point at the beginning of the nineteenth century, and views developments up to the present day —and beyond—through a telescope instead of a microscope, he will get some new angles of the business situation as it exists today which may be of assistance in estimating the outlook for the long-time future.

"If the future business development of the United States," says the writer of the accompanying article, "will be fundamentally like the past, we should be able to forecast the general trend of commodity prices over the next twenty years or more." The intimate relation of commodity prices to security prices, and particularly bond yields and prices, not only makes this article interesting and informative but gives it a definite and practical value.

Prices and Past Wars

The nineteenth century started off under the influence of the Napoleonic Wars which, like all other wars, tend to raise prices. **A war, from the business point of view, is simply a period in which unusually large amounts of goods are consumed and capital tied up in unproductive purposes.** The end of the wars in 1815 found prices at a very high peak, from which they fell, at first very sharply, then more slowly, till about the middle of the century.

About this time, the discovery of gold in California in 1848, and in Australia in 1851, began a period of what might be called gold inflation which, with the powerful reinforcement of the Civil War in the United States, the Crimean War, and the Franco-Prussian War, started a long upward climb of prices which culminated around 1875.

Around this time, history began to repeat itself: When the wars were over, a period of deflation and lowered prices began which lasted till about the turn of the century. From 1898 to 1900 there was another period of small wars—the Spanish-American War, the Boer War, the beginning of the Balkan Wars, and prices again started climbing slowly until the World War of 1914, which gave them a tremendous impetus lasting till 1920. What has happened since is known to everyone.

Within these wide swings can be distinguished swings of smaller duration. Crises of greater or less world importance occurred in 1819, in 1837, in 1857, 1873, 1884, 1893, 1900, 1907, 1914, 1921.

The big swings, however, seem to have followed a certain rhythm. A period of rising prices and prosperity culminates in one or more wars—or, what amounts to the same things, a period of aggressive industrial development in which huge amounts of capital are tied up in enterprises which are not immediately productive. Around 1840, it was the rapid railway development and land speculation into which money was poured; in the two big crises which followed the Civil War, it was big manufacturing establishments which temporarily were too big for their markets; around 1900 the big trust consolidations.

Two Great Economic Forces

Back of these fluctuations are the two great economic forces of the nineteenth century, forever trying to seek a balance and forever disturbed by the changing influences mentioned above. They are, the steady growth of population in the heavily industrialized countries of the world, with a steadily rising standard of living, tending to increase prices; and the steady improvement of industrial machinery, transportation, organization, tending to cheapen the cost of production, and, by increasing the available supply of goods, tending to lower prices.

Because these major factors were world-wide, or at least extended as far as Europe and North America, there is an amazing resemblance between the business development of countries which in other respects show great differences. England grew up under a free-trade system, France and Germany under a protectionist system, America under alternations of both; England has been, during all this period, a stable limited monarchy taking the form of an empire; France has been at various times an empire, a directorate, a limited monarchy, a republic; America has been consistently a republic; England is an island state, America a continental state with two great seacoasts, France a continental power with a large Atlantic seaboard, Germany an inland power with little access to the sea. Yet in their broad lines of development, and in their major trends of prices, they have been so much alike that it is clear that the fundamental factors must be world-wide, or at least international.

In America, the particular national complications which have given development its individual flavor, have come from the presence of huge natural resources and a vast unbroken territory. Since no nation could increase in population fast enough to take care of all these resources in the natural course of events, this country has had to adopt in the past a broad immigration policy which has attracted millions of people from other countries; it has led to an enormously rapid industrial development which has kept prices on a permanently higher level than in other countries; and because America has been its own market for more than a century, growing in purchasing power as fast as it grew in productive capacity, it has removed the necessity of an imperialistic policy in the past in this country.

U. S. Has Highest Wage Level

Another effect has been the maintenance of the highest wage level in the world, persisting to this day. Until quite recently, if a shoe clerk in this country was not satisfied with his wages, he had the option of packing up and going out West to take up a farm, according to Horace Greeley's celebrated command,

"Go West, young man, go West!" An English shoe clerk had no such option, unless he were in a position to take passage for some distant land. For this reason, labor has been able to command higher wages in this country than elsewhere, and the rapidly growing industrial wealth of this country has enabled those igh wages to be paid.

With this background, we can see how hese factors, one by one, should affect ommodity prices, *if the future is to be ke the past.* Of the two fundamental es, the growth of population and the nprovement of industry, it can be said at, while our population is still growg, the rate of growth is not as fast now it was in previous decades, after full llowance for the effect of the war and immigration restrictions. The upward essure on prices from this source is erefore weakening.

On the other hand, technical improveents in industry are still being made, d perhaps even at accelerated speed, ecause the accumulated capital in this country has made it easier to try new and expensive ventures. The vast systems of long-distance high-tension transmission which the electrical companies are working on; the development of automotive, and, probably, in the near future, aerial transportation; the increased use of by-products, and methods of using low-grade sources of supply such as Jackling's treatment of the porphyry copper ores; the development of new sources of supply in undeveloped countries, such as copper in Africa, and oil in Asia and South America—all these indicate that the trend of the nineteenth century toward cheapening the cost of production, and consequently lowering the whole price level, is continuing with undiminished force.

So far, therefore, there is reason to believe that the fundamentals of business development favor a long-term trend toward lower prices. Coming back to our analysis of the major swings of business, in periods of twenty-five or thirty-five years, based on the effects of wars and business booms in tying up capital in temporarily overproductive and, therefore, unproductive investments, we find that our position now is analogous to that prevailing in the early nineteenth century, and again after the Civil War.

Now, too, we stand a few years after a great war, followed by an industrial boom which has resulted in the building of a huge productive capacity which, for the time being, is not needed. Conditions in the mining industries, in the tire industry, in steel, in petroleum, possibly even in wheat, need only to be mentioned to bring out the point that we have an enormous capacity at the present time which cannot all be economically utilized.

Such conditions in the past have been followed by declining prices for two decades or more all over the world. In the United States, in particular, the factor of enormous unexploited natural resources, which has played such an important part, is tending to disappear. Already there is no more free farm land which is worth taking up, and existing farms are being

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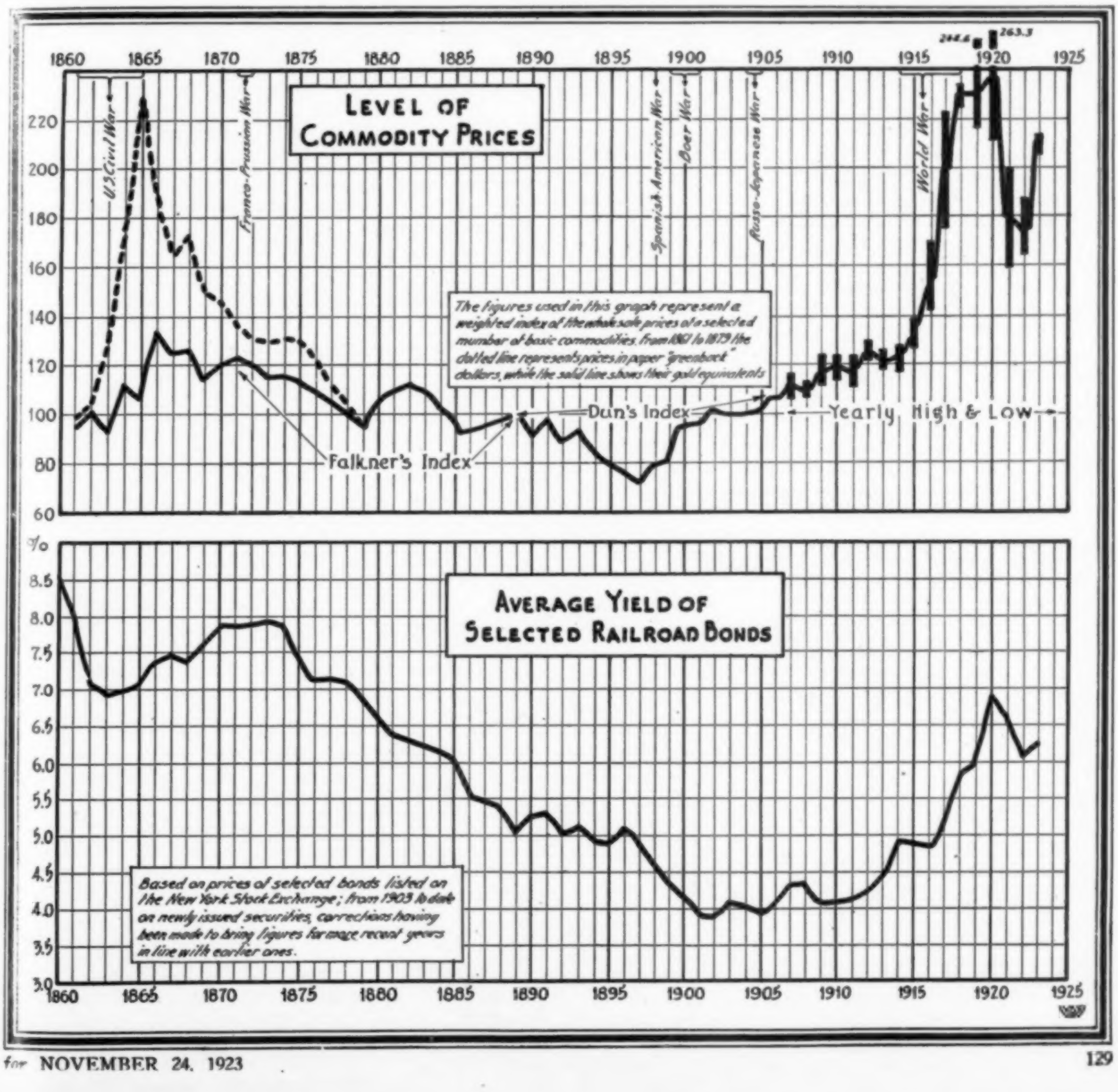


Industrials

Can Common Stocks Be Investments? Read this Article:

Six Premier Common Stock Investments

A Descriptive Analysis of Six Leaders of American Industry and the Prospects for Their Shares

By JOHN MORROW

SOME there are who want and others who must have prime investment bonds with the return decidedly limited. Other investors concentrate upon preferred stocks of high grade with long unbroken dividend records. The majority of investors are not ready to place common stocks in any but the speculative class.

Nevertheless, there are common stocks which it is just as logical to consider from an investment standpoint as from a speculative standpoint. Such stocks are those of long-established companies whose position in the particular industry which they represent is preeminent. If that industry be highly competitive the corporation whose common stock is under consideration for investment must have shown enough efficiency and control of expenses to meet such competition without encroaching upon margin of profit. *An investment common stock, preferably, should represent a company dealing in essentials or necessities, rather than non-essentials or luxuries. The company must have piled up a surplus for use in years of business depression and must have kept well within itself in declaring dividends in years of active business. It must also have shown ability to recover earning power in the periods of activity which follow the cycles of depression.*

While investment common stocks are subject to the normal market fluctuations, if they have sound qualities they ought to be relatively immune to the violent, sudden fluctuations which suggest that a stock is weakly held and not permanently placed among outright owners. You cannot shake names in a hat and select investments among common stocks, but the following is a brief discussion of six which have the desired qualities:

Otis Elevator Company

The Leading Interest in its Field

IT will be remembered that at the end of 1922 comments became quite general to the effect that the building boom was over, and the conclusion followed that those companies which were dependent upon industrial and residential building were faced with a period of smaller earnings. As a matter of fact, the Otis Elevator Company, one of the best known of those corporations affiliated with the building industry, earned in the nine months to September 30, 1923, approximately $15 a share upon outstanding common stock, against $10.50 a share for the same period of 1922. In July, it was reliably reported that the plants were operating at capacity with orders on the books to carry well over into 1924.

No Funded Debt

Otis Elevator has no funded debt, but there is an issue of 6.5 millions 6% preferrd preceding the 14¼ millions common. The dividend rate on the common is now 8%, requiring approximately 1.8 millions annually. In the four years ended December 31, 1922, net available for the common averaged about 2 millions annually, and the nine

RECORD OF SIX VERY RICH COMPANIES

	Cash Dividend Rate	No. Years in Div. Paying Class	Years Duration Current Rate	Est. 1923 Earnings	5-Year Average Per Share Earnings	Estimated Book Value	High 1923	Low 1922	Recent
U. S. Steel	a$5	*23	b7	$15	$10.75	$260	111½	82	94
Kresge, S. S.	8	10	1	35	27.75	125	280	110	280
Railway Steel Spring	8	†8	5	12	13.60	203	126¼	94	100
General Electric	c8	24	22	17	16.05	150	190⅛	136	185
United Fruit	8	24	b16	20+	32.35	150	183	119¾	177
Otis Elevator	8	20	4	20	16.46	125	168¾	114½	133

* No payment 1904, 1905. † Record spotty prior 1916. a Extra of ¼ of 1% to be paid Dec., 1923. b Also extras. c Also 5% annually in the special 6% $10 par stock.

months' earnings for 1923 indicate that the margin above requirements will be large.

In July, 1921, the company paid a stock dividend of 50%, thus capitalizing the expansion in earnings, which has occurred since 1917. This earnings expansion has continued. The company now appears to be in a position where 12 to 15% can be earned upon outstanding common in years of normal business activity, and the excess protection of the present dividend augurs for its continuance in a period of depression, when possibly for a short time the earnings might be below dividend requirements. *At these prices of around 130 the stock appears fairly cheap, in view of the company's ability to pay higher dividends.*

U. S. Steel Corporation

A Premier Industrial Stock With an Investment Flavor

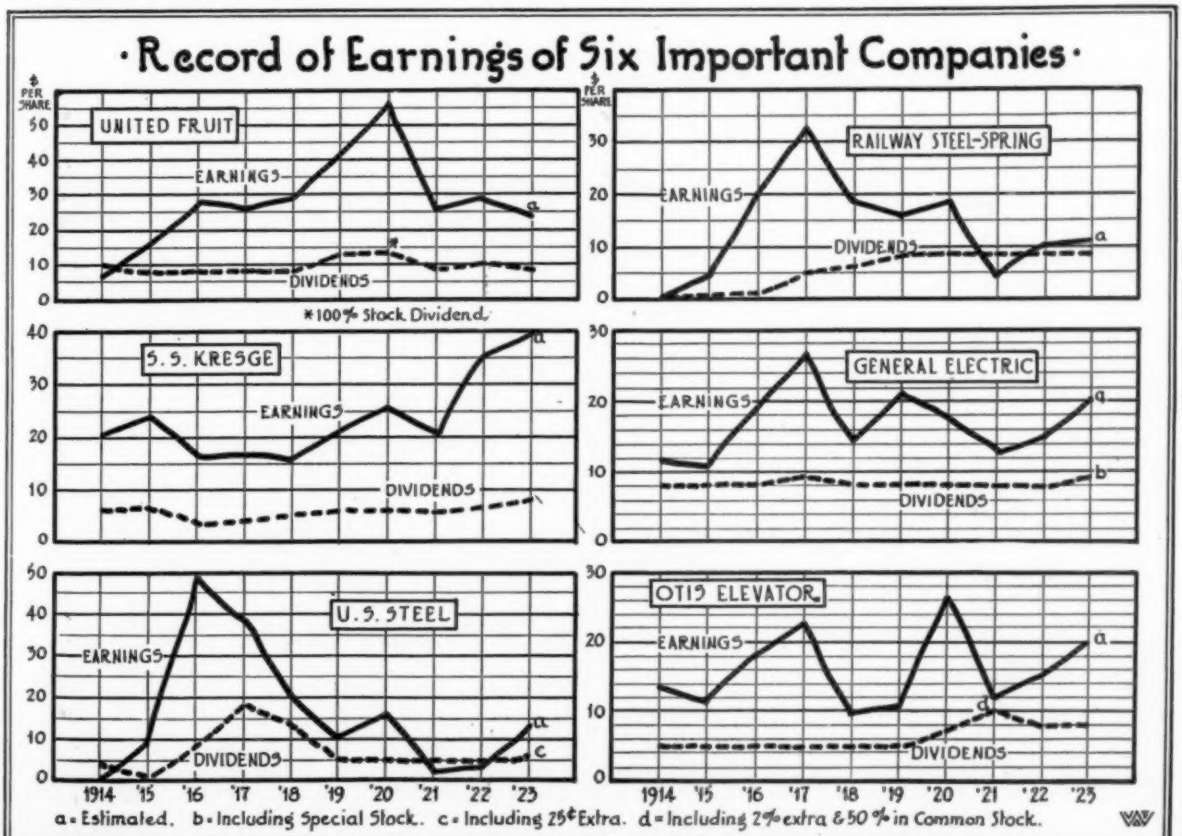
TO do complete justice to the investment position of United Steel common would require much more space than is available here. A volume could be written and still something be left out of a picture, which includes iron-ore mines, coal mines, timber tracts, ships, railroads and huge clusters of mills. The company is in complete mastery of its position from material to finished products and stands as a great example of American industrial initiative and progress.

A Billion for New Construction

A skeleton tabulation of what the Steel Corporation has accomplished serves as well as anything to give a fair impression of the strength back of the common stock. From 1901 to 1922 the corporation spent a billion for new construction, acquisitions and charges against earnings for depreciation, sinking funds and repairs were almost 2 billions. In the same period preferred dividend and interest obligations had decreased 5 million dollars annually—a sum equal to about 1% on the outstanding common. In the 21 years, total capitalization had increased less than 25 millions. Book value of the common stock is now well over $250 a share.

In the two years ended December 31, 1922, the company earned a total of only a little over $5 a share on the common stock, or about one-half the dividend requirements, and yet not once during that period was there any serious thought of a reduction in the 5% rate. The position of the common stock is absolutely recognized as one of almost amazing strength, and in the public mind the shares now are regarded as capable of paying at least 5% in practically any kind of a business year.

Earnings in the nine months ended September 30, 1923, were over $11 a share, and an extra dividend of 1/4 of 1% was declared at the October meeting of the board of directors. No official statement accompanied this declaration, but the writer believes that it would not be out of line to expect the management to continue extra dividends whenever earnings warranted, and in a speculative way the stock may be regarded as a probable 6% dividend payer. Strictly for invest-



ment purpose, however, the minimum yearly disbursement may be placed at 5%.

Steel common, for the conservative investor, offers as good a vehicle as any other common stock issue, though at these levels of 95 the opportunity for speculation seems to be relatively limited.

Railway Steel-Spring Co.

One of the Soundest of the Railroad Equipment Issues

WHEN Railway Steel-Spring raised the dividend rate on the common stock to 8% in 1919 there was considerable curiosity as to the ability to continue this rate. The end of the coming December will mark the fifth year in which this rate has been paid.

In the four years to December 31, 1922, total earnings upon the common stock were almost $50 a share, against dividend payments of $32. In 1921 the share surplus was only $4.50, but a prompt recovery was made in 1922. While definite figures for 1923 are lacking, it is assumed that the $8 dividend will be covered with adequate margin to spare.

Railway Steel-Spring was incorporated in 1902, and it is a matter of record that earnings upon the common shares did not assume substantial proportions until along in 1916. Since that time, earning power has been well sustained and the record of the post-war years indicates that it was not war prosperity alone that raised the per share surpluses to double figures.

Financial Progress

One feature which has been pointed out time and again, but which deserves repetition, is the treatment of funded debt during the war years. In 1916, bonds outstanding were 6 million dollars. Today there is no funded debt and share capitalization remains as it was 7 years ago. In other words, part of the profits of the war years was used to extinguish mortgage debt and to place share capitalization in a senior position. During these eight years working capital has increased 9 millions, and over 1 million 300 thousand has been spent on plant additions. The bonded debt has been wiped out and surplus enlarged by almost 9 millions.

The company operates some seven plants, located in the Middle West, engaged in the production of steel springs for cars and locomotives, steel-tired car wheels, locomotive wheel tires, etc. Ordinarily, the common shares are not subject to wide fluctuations and the speculative interest in them is limited. That is to say, they are not ordinarily carried in margin accounts to any great extent and consequently are slow to develop what is called a weak technical position. *At the present time, the stock is selling to yield about 8% and offers suitable medium for funds which demand relatively liberal return, but at the same time want price stability and a defined assurance of the continuance of dividends.*

General Electric Company

An Example of Conservative Capitalization—Profit Prospects

REFERENCE is constantly made to the account on the balance sheet of the General Electric Company showing patents and franchises carried at 1 dollar, and it still remains as one of the interesting features demonstrating the intense conservatism of the management. Just what the patents of the company might mean translated into earning power may be left to the imagination. As of December 31, 1922, plants were valued at

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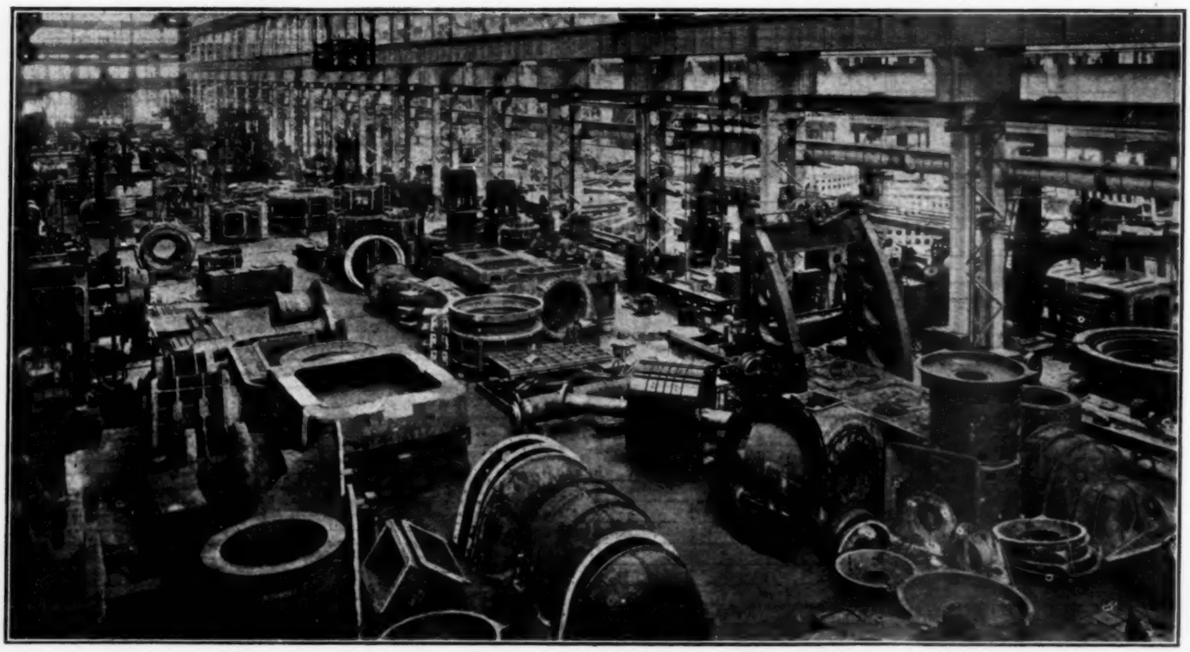


Conservatism of General Electric's financial management is indicated by the fact that the company holds its enormously valuable patents and franchises at only one dollar, on the books

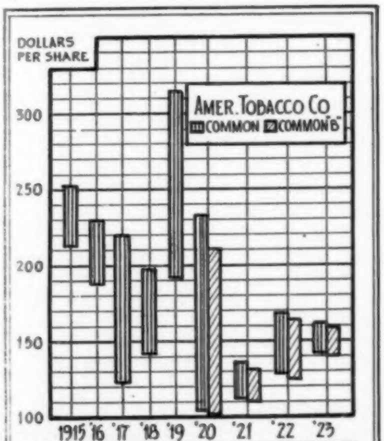
How Does Merger Affect Tobacco Products "A"?

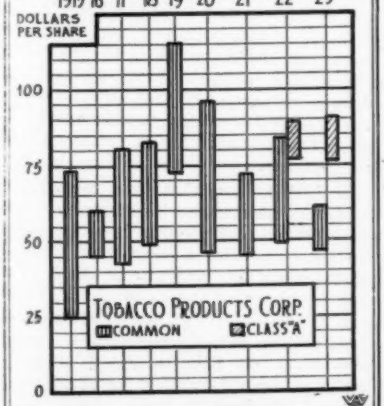
Advantages Gained by Both Companies—Outlook for Shares

By ORRIN GRAY

LEASE, by the American Tobacco Company for a period of ninety-nine years, beginning November 1, last, of all the brands of cigarettes, smoking and chewing tobaccos of the Tobacco Products Corporation and the purchase of all the tangible assets of the latter company by the former, puts the Tobacco Products "A" stock in practically the position of a guaranteed issue.

Under the terms of the contract, proposed at a special stockholders' meeting November 15, the American Tobacco Company agrees to pay Tobacco Products Corporation approximately $12,000,000 cash, four millions to be paid four days after the ratification of the contract and the balance in monthly installments, and a yearly payment for ninety-nine years, of $2,500,000. When the contract is completed, which neither the present generation nor the next is likely to see, American Tobacco will have paid to Tobacco Products the immense total of approximately $260,000,000.





A Record Contract

This more than a quarter of a billion dollar contract establishes a record so far as the writer is informed. Under it, the American Tobacco Co. will obtain right and title to Tobacco Products' brands such as "Melachrino," "Herbert Tareyton," "Natural," "Egyptian Prettiest," "Strollers" and other well-known cigarettes, together with "Serene Mixture" and "Tareyton" pipe tobaccos and the sale of "Zig-Zig" cigarette papers. Subsidiaries of Tobacco Products Corporation, which will be affected, are: M. Melachrino & Co., Inc., Schinasi Bros., Inc., Falk Tobacco Co., Inc., The Surbrug Company, Nesto Gianaclis Company, The Khedivial Company, Prudential Tobacco Company, and John J. Bagley & Co.

The stock in the following companies which Tobacco Products holds, will not be affected by the contract: United Cigar Stores Company of America, Tobacco Products Export Corporation, Stephano Bros. Corporation and United Retail Stores Corporation.

How T. P. Shareholders Will Be Affected

The merger, for such it is in effect, will be of interest to both American Tobacco and Tobacco Products stockholders. Under it, the latter company will have two main sources of revenue, (a) the income of $2,500,000 annually from its contract with American Tobacco, and (b) dividends from its holdings of 290,000 shares of United Cigar Stores common stock.

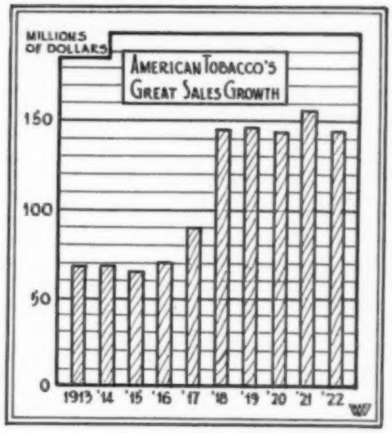
At the present time Tobacco Products capitalization is as follows:

10-yr. S. F. gd. notes due Dec. 15, '31, $3,900,000

	Authorized	Outst'ding
7% cum. pfd. ($100)......	$8,000,000	$8,000,000
7% non-cum. c. A ($100)	49,354,000	44,802,250
Common ($100)	100,000,000	45,042,550

It is proposed to retire the gold notes and the cumulative preferred stock of Tobacco Products with the $12,000,000 initial cash payment which American Tobacco Co. will make. This will leave only the "A" stock and the common outstanding.

Tobacco Products owns 290,000 shares of United Cigar Stores common which at the present dividend rate will yield $3,480,000 annually. This, together with the annual $2,500,000 from American Tobacco, will give Tobacco Products a gross income from its two main sources of revenue of $5,980,000. Dividends on the "A" stock will call for $3,096,157 annually, leaving a balance of $2,883,843 on the common, equal to $6.40 per share.



It is of interest to note that Tobacco Products' earnings on the average amount of common stock outstanding for the last nine years is $6.91 a share. Just what Tobacco Products will earn from its assets not taken over by American Tobacco it is not possible to say, in fact it has not been definitely decided whether Tobacco Products Corporation will continue purely as a holding company or not. In view of the fact that Tobacco Products' best year, 1922, showed a net available for dividends of $5,587,519, which is less than the total it will receive under its contract with American Tobacco plus its United Cigar Stores dividends, it appears that the Tobacco Products stockholders will not fare so badly. The speculative possibilities of Tobacco Products stock will be curtailed, of course, but offsetting this will be the $2,500,000 annual income guaranteed by the powerful American Tobacco Co. whose annual sales total around the $150,000,000 mark.

Outlook for American Tobacco Stockholders

It may be assumed without fear of successful contradition that the American Tobacco Company sees very substantial advantages to be gained from the contract and absorption of Tobacco Products' manufacturing assets. In the first place, it will make American Tobacco the

(*Please turn to page* 180)

How Schulte & United Cigars Compare

Should United Cigar Stockholders Switch Into Schulte?

By MAX GROSSMAN

THE spectacular market performance of Schulte Retail Stores stock has directed considerable attention to the operations of the United Cigar Stores chief competitor.

COMPARISON BETWEEN UNITED CIGARS STORES AND SCHULTE

	United Cigars	Schulte
Bonds and Mortgages	7.7 millions	1.6 millions
Preferred Stock	4.5 millions	*4.4 millions
Common Stock	328,653 shares, par $100	300,000 shares, no par
Stores and Agencies	†2500	†239
Working Capital	†16.3 millions	†3.7 millions
Net Earnings, 1923, after pref. dividend	‡5.25 millions	3.2 millions
Earnings Per Share	15.00	9.70
Market Price	175.00	94.00

* Outstanding March 1, 1924. † As of December 31, 1922.
‡ Estimated.

The capital structure of the two companies is strikingly similar. United has outstanding real estate mortgages of 1.7 millions and 6 millions debenture bonds of a real estate subsidiary. Schulte has outstanding 1.6 million real estate mortgages of its subsidiary real estate company. The older company has in the hands of the public approximately 4.5 millions 7% cumulative preferred and 328,653.5 shares common, of $100 par value. After the issuance of 1.2 millions preferred to take care of dividends declared on the common, Schulte's stock capitalization will consist of 4.4 millions of 8% cumulative preferred and 300,000 shares common, the junior shares being without par.

United Cigars income increased from 3 millions in 1916 to 5 millions in 1920. In the following year, net was 4.1 millions and in 1922, 4.36 millions. It is estimated that this year will show earnings of around 5.25 millions, or in the neighborhood of $15 a share for the common. Schulte showed profits of only $31,000 from its 66 stores in 1917, but the 239 stores operated at the close of 1922, yielded net of 1.95 millions, and it is estimated that this year will show profits of over 3 millions, or around $9.70 a share for the common after preferred dividends and charges.

Simply on basis of the number of shares outstanding, United Cigars makes the better showing per share, but there the comparison ends. **Relatively, the growth of Schulte earnings during the last six years has been very greatly in excess of returns submitted by United Cigars.** Very interesting is the comparison of the two companies' statements for 1922. From the operation of 2,500 stores and agencies, United Cigars made profits of 4.36 millions, an increase of only $160,000 over 1921. Under the same commercial conditions, Schulte's profits of 1.95 millions from its 239 stores showed an increase of 1.3 millions, or over 200%.

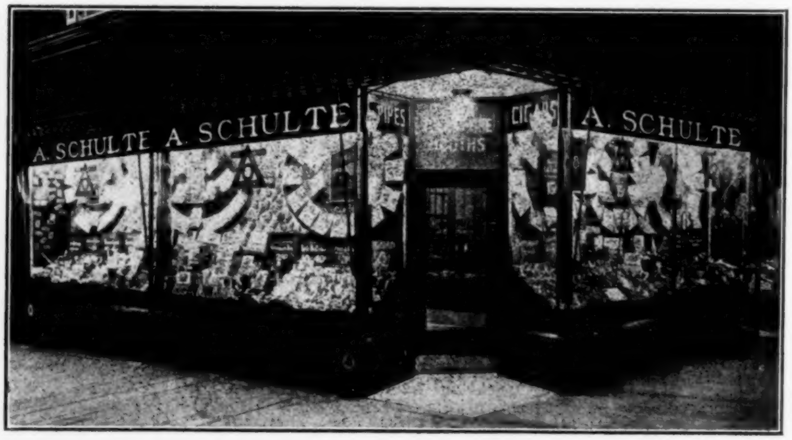
An examination of the balance sheets of the two companies shows both to be in good condition. United Cigars for the year ended December 31, 1922, had working capital of 16.3 millions, of which cash constituted 8.3 millions. This large amount of cash was due to the sale of 6 million debentures of the United Stores Realty Corporation during the year. Schulte's working capital at the close of 1922 was 3.7 millions, of which 1.8 millions consisted of cash. In the matter of net tangible assets, United Cigars made the better showing. Based on present quotations, it was 38% of the present market price, as compared with 30% for Schulte, not taking into consideration values assigned for good will. In view of the nature of the business, rapid turnover and large profits, this matter of tangible value need not necessarily be given major consideration.

United Cigars stock is selling at around 175. It pays dividends at the rate of $12 per annum, the rate having recently been increased. The yield on the present price is around 7%. Schulte has not made any cash disbursements on its common, but has been very liberal in stock dividends. At present, quarterly disbursements at the rate of $2 in preferred stock are being made. As this preferred has a market value of $114 a share, if sold, the return is 9.7%.

This return, however, must be considered more or less as temporary. As 4.4 millions preferred will be outstanding next Spring out of 5 millions authorized, it is not unlikely that cash dividends on the common will be inaugurated sometime next year. If Schulte is able to continue to increase its income at anything like the present rate, it could afford to pay $8 a share a year in cash, or, at least, $7, which would still give a higher return than obtainable on United Cigar stock, as Schulte common is selling at around $94.

It is undoubtedly a fact that United Cigars has the better stabilized income and that dividends paid on the stock may reasonably be expected to continue, whereas the rate of future payments on Schulte common are somewhat uncertain. The rapid advance in Schulte stock from a low of 33 last year, also makes the issue speculative at the present time. However, the record indicates that the older organization has reached a point where further growth, while steady, will probably be of somewhat moderate proportions, whereas the record of the Schulte management during the past two years indicates a determination and ability to take advantage of further opportunities to greatly expand the business.

United Cigars, therefore, appears to have almost reached its maturity while the Schulte organization is still a lusty infant. For the adventurous soul, it would seem that the sale of the former and purchase of the latter stock, holds out much better ultimate speculative possibilities of gain through price appreciation of Schulte stock than is likely to be the case, if he retains his United holdings.



What Are the Prospects for Dividends on "Alcohol"?

The Improvement in Company's Financial Position and Outlook for the Preferred and Common Issues

By FRED L. KURR

UNITED STATES INDUSTRIAL ALCOHOL is one of the "war brides" that has made good under peace conditions. It was obliged to stand a heavy loss during the deflation period, but as a large percentage of the profits realized during the war period were retained and the company is blessed with a conservative and efficient management, this loss did not seriously affect the status of the company. From every point of view, United States Industrial Alcohol is now in as strong a position as it has ever been in its history, and the outlook has never been more encouraging.

The demand for commercial alcohol this year has been of very large proportions, and for several months a strictly "sellers'" market has prevailed. Fortunately, the management has avoided the making of long-term contracts and has been able to take full advantage of current market conditions.

Price of commercial alcohol was recently advanced to 37 cents a gallon in car-load lots f.o.b. which compares with 28 to 30 cents earlier in the year and 18 to 20 cents last year. United States Industrial Alcohol is the largest producer of this commodity in the United States and is practically the only company that can supply large quantities at the present time. As a result, it is the dominating factor in the market. During the winter months a heavy demand for alcohol develops for anti-freezing mixtures, and this demand should maintain the price of alcohol at present high levels for many months to come.

While the company has not made public any official statement of earnings this year, reliable estimates are to the effect that they have been running at the rate of $10 a share on the common stock. In view of the recent advances in the price of alcohol, it is probable that the report for the full 1923 year will make an even better showing than these estimates.

At the close of 1922, Alcohol was a borrower at the banks to the extent of 2.5 millions. As no dividends have been paid on the common stock in the current year, earnings have been applied to the reduction of this item, and the company should start 1924 entirely free of debt. Current earnings, business outlook and financial condition of the company apparently justify resumption of dividends on the common stock. Directors, however, are understood to favor a conservative policy with the idea of building up an unusually strong financial structure before rewarding common stockholders. When dividends are resumed they wish to feel reasonably certain that the rate can be continued permanently. However, unless unforeseen developments of an unfavorable nature should arise, the common stock will undoubtedly be placed on a dividend basis some time in 1924.

Of course, one year's good earnings resulting from favorable trade conditions does not make a company. This, however, is not the only constructive feature in regard to Alcohol. A great deal of time and money has been devoted to the building up of profitable side-lines from which the company is just beginning to get results and which should prove to be an important source of revenue in the future.

The chemical branch of the company's business has been expanded and now ranks highest as a producer of chemicals having an alcoholic base. The United States Industrial Chemical Co., which operates this branch of the business, reported a deficit in 1922, but is now showing a profit, and provisions have been made for greater production and the manufacture of new products. During 1922, the company perfected a new apparatus for production of fuel alcohol for motor power, particularly potent when mixed with low-grade gasoline. This has not yet been pushed by the management in view of the low price prevailing for gasoline, but it undoubtedly has potential possibilities. Alco-Rub and Pyro, an anti-freeze mixture, are side-lines that have been successful.

Asset Value of Stock

There is a substantial asset value behind the common stock. In 1919, the common was increased from 12 to 24 millions, the new stock having been offered to stockholders at $70 a share. Since the beginning of the war approximately 12½ millions surplus earnings have been put back into the property. Add to this, the cash received for the new stock and the total is equal to $87 a share on the common stock now outstanding. It is true that a considerable amount went into new construction at inflated prices but this has been offset to a large degree by liberal depreciation charges. In the three years before the war, the stock had a price range of from 24 to 57, so that at present price of 55 the increased assets of the company have not been reflected to any large degree in the market price of the stock. Balance sheet as of December 31,

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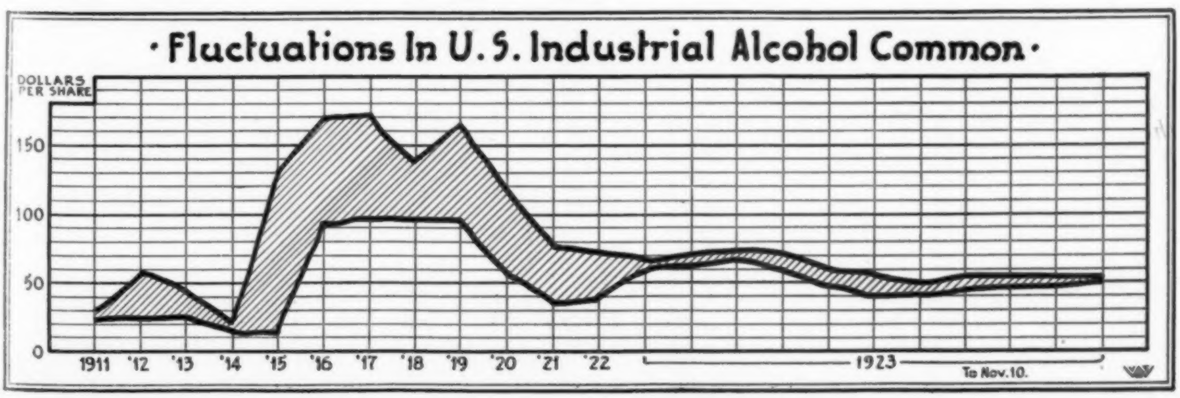


Will Gen. Motors' Unique Profit Sharing Plan Affect Stockholders?

The Main Purpose of the Plan and How It Operates

By WELDON CHASE

GENERAL MOTORS CORPORATION'S recently announced plan which contemplates making business partners of its leading executives, has put several kinks into the Wall Street brain. Wall Street has concluded, however, after careful study of the involved plan, that it is going to be a pretty good thing from now on to be a General Motors' executive, and that, boiled down to its essentials, the plan means that the General Motors Corporation will contribute a minimum of $2,000,000 annually to its executives under certain terms and conditions.

Loyalty and Co-operation Insurance

The purpose of the plan is to act as an insurance of loyalty and co-operation on the part of the executives. The board of directors realize that the workman is worthy of his hire and that, to attract and hold the big-business brains necessary to continue the success of the largest motor manufacturing corporation in the world, it is necessary to not only offer very substantial material rewards, but also to stress the thought that each executive is a part of an integral whole and not the head of a unit operating more or less independently of the others. The executives are to become partners in the business through an interest in a considerable block of General Motors' common stock for which the company will assist in paying at a rate not less than $2,000,000 annually. President Sloan sums up the situation where he says in his letter to the stockholders:

"In a great structure such as the General Motors Corporation where our problems and our operations are so diversified, where capital must be employed and plants operated in the best interests of the corporation as a whole, as against any separate part or division, and where new capital supplied should be injected where it will accomplish the greatest good, it is important to find, develop and retain men to occupy important managerial positions who are capable of assuming great authority and the responsibilities that make these positions important. Not only is it necessary that these managers be capable of handling efficiently the immediate problems of their respective positions and divisions, but it is essential that they view broadly and understand the policies necessary to co-ordinate the various ramifications of this vast business and thus secure proper return to the stockholders on upwards of five hundred million dollars of capital employed."

The General Motors' plan marks a new step in business co-operation as it is not only one of the most liberal but also one of the most far-reaching efforts ever made by a large corporation to procure a complete identification of the interests of the management and stockholders. It will supplement the company's bonus system, which is of long standing, and also its Savings and Investment Fund plan. The bonus system provides for the reward of conspicuous service by an annual compensation in common stock. Through the Savings and Investment Fund any employee may deposit regularly a portion of his salary, the Corporation adding 50% over a period of five years to every dollar thus deposited, and paying interest at 6% compounded semi-annually.

The new profit-sharing plan in favor of General Motors' seventy principal executives has occasioned much comment. At first glance it appeared that the duPont interests would profit handsomely and that the General Motors' stockholders would be correspondingly taxed. This article shows in understandable language the purpose of the plan and how it will work in actual operation. Also how it affects the duPont interests, the General Motors' executives and stockholders. It is a new page in co-operative industrial management.

Details of the Plan

Before discussing the details of the plan it may be well to correct two misapprehensions. In the first place the executives will not buy the 2,250,000 shares of General Motors common mentioned in the plan, but will purchase the A and B common stock of a company which will acquire the 2,250,000 General Motors common or its equivalent. Secondly, the duPont interests will not supply the 2,500,000 shares, or any part which is not supplied pro rata by other stockholders, but will change the name of the duPont American Industries, Inc., which holds 7,500,000 shares of General Motors common, to the General Motors Securities Corporation. The Managers Securities Corporation, whose common stock the executives will purchase, will acquire a sufficient amount of the capital stock of the General Motors Securities Corporation to make the plan effective. In short, the duPont interests are in effect underwriting the amount of General Motors common necessary for the plan.

President Sloan of the General Motors Corporation

The first step will be the organization by the General Motors Corporation of the Managers Securities Company under the Delaware laws with an authorized capital of $33,800,000 par value as follows:

$28,000,000	7% cumulative, non-voting convertible preferred
4,000,000	class A stock
1,000,000	class B stock.

The class A and B stocks are to be sold to the General Motors Corporation for $5,000,000 cash. General Motors agrees to pay annually to the Managers Securities Company, for a period of 8 years beginning April 1, 1924, 5% of General Motors' net earnings for the preceding year, after deducting 7% on the capital employed during that year from said net earnings. In addition, the General Motors Corporation agrees each year for the eight-year period and beginning January 1, 1924, to advance $2,000,000 in

cash to the Managers Securities Company on account of the payment due April 1 following. In the event the payment of 5% on April 1 under the contract should be less than the $2,000,000 advanced, the difference is to be regarded as an unsecured 6% loan from General Motors to the Managers Securities Company, to be liquidated at such times when the 5% total exceeds the $2,000,000 annual advance.

A special committee of directors of the General Motors Corporation will sell, from time to time, to the company's 70 leading executives at not less than cost and upon such terms of payment as shall be agreed upon between the purchaser and the Finance Committee, such amounts of the A and B stock as the committee shall determine.

With the $5,000,000 received from General Motors the Managers Securities Company will purchase 2,250,000 shares of General Motors common stock at $15 a share. Payment will be made in cash to the extent of $2.20 per share and the balance of $12.80 per share, in Managers Securities 7% preferred stock. So that when the transaction is completed the Managers Securities Company's balance sheet will show as follows:

Assets

General Motors common 2,250,000 shares
Cash $50,000

Liabilities

$28,800,000 7% preferred stock
4,000,000 class A stock
1,000,000 class B stock.

Every stockholder is given the option of turning in his General Motors common for the purposes of the plan to the extent of 10% of his holdings. The duPont American Industries, Inc., i.e., the General Motors Securities Co. to be, which owns 7,500,000 shares of General Motors common, stands ready to turn over shares up to 2,250,000 or any part thereof not turned in by General Motors stockholders under the terms of the plan. Inasmuch as General Motors common yields 8.5% at $14 a share and a stockholder contributing 10% of his stock under the plan, would receive about 85% back in 7% preferred stock of the Managers Securities Company yielding 7% per share, there appears no great inducement for the General Motors stockholder to contribute his stock to the plan. It appears likely, then, that most of the stock will come from the General Motors Securities Corporation. The General Motors Securities Corporation, however, will not actually turn over part of its holdings of General Motors common to the Managers Securities Company, but instead will sell to the latter under the terms of the plan the amount of General Motors Securities stock required to make the plan operative. Should the Managers Securities Corporation have occasion to liquidate any of its holdings of General Motors Securities stock for the purpose of discharging indebtedness, it will have the right to convert the same into its equivalent of General Motors common by surrendering such

(*Please turn to page* 170)

Preferred Stocks

Sharp Advances in All Departments

ACTION of the market during the past two weeks confirmed the impression that the fears of timid holders of preferred stocks, heightened by dire predictions of disaster by the professional bear element, were groundless. With the turn of the trend and era of better feeling, preferred shares rebounded vigorously to previous levels. American Woolen, which has sold below 96, recovered to 101. American Sugar Refining and General Motors 7% debentures gained four points, nor were recoveries confined to the high-grade issues. California Petroleum was up 3 at 95 and Mack Trucks sold at 93⅞, registering a similar gain. The speculative rails were particularly strong, with three point advances in the preferred stocks shown below. The largest recoveries were in Market Street Railway prior preferred shares, which crossed 66 compared with a low of 58½ two weeks ago, and National Cloak & Suit, which changed hands at 97, contrasted with sales around 91 when pessimism was at its height.

PREFERRED STOCK GUIDE

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
American Sugar Refining Co............(c.)...	7	98	7.1	2.4
American Can Co.......................(c.)...	7	109	6.4	2.1
American Ice Company..............(n.c.)...	6	80	7.5	2.2
American Woolen Co..................(c.)...	7	101	6.9	2.5
Allied Chemical & Dye Corp............(c.)...	7	108	6.5	(x) 4.5
Baldwin Locomotive Works............(c.)...	7	113	6.2	4.4
Cluett-Peabody & Co....................(c.)...	7	100	7.0	4.7
Endicott-Johnson Corp.................(c.)...	7	112	6.2	4.6
General Motors Corp. deb..............(c.)...	7	98	7.1	(y) 5.1
Loose-Wiles Biscuit Co. 1st............(c.)...	7	106	6.6	2.2
Standard Milling Co..................(n.c.)...	6	89½	6.7	4.3
PUBLIC UTILITIES:				
North American Co......................(c.)...	3	45	6.7	(w) 6.9
Philadelphia Company..................(c.)...	3	42½	7.0	5.6
RAILROADS:				
Bangor & Aroostook....................(c.)...	7	87	8.0	2.5
Chesapeake & Ohio conv................(c.)...	6.50	99	6.5	4.0
Middle-Grade Investments				
INDUSTRIALS:				
Armour & Co. of Del....................(c.)...	7	91¼	7.6	(z) 2.9*
American Steel Foundries..............(c.)...	7	100¼	7.0	5.0
Allis-Chalmers Mfg. Co................(c.)...	7	91½	7.6	2.8
American Smelting & Ref. Co..........(c.)...	7	95¼	7.3	1.7
Associated Dry Goods Co. 1st..........(c.)...	6	82	7.3	3.0
Brown Shoe Co..........................(c.)...	7	85	8.2	2.2
Bethlehem Steel Corp. conv............(c.)...	8	104	7.7	3.8
Bush Terminal Buildings Co............(c.)...	7	89	7.8	1.1
Coca-Cola Co. ....(c.)...	7	94	7.5	(x) 5.1
Cuban-American Sugar Co..............(c.)...	7	95	7.4	6.4
Genl. American Tank Car Corp.........(c.)...	7	96½	7.3	5.4
General Baking Co......................(c.)...	8	108½	7.3	(x) 3.8
Gimbel Brothers, Inc....................(c.)...	7	100	7.0	3.3
J. Kayser & Co..........................(c.)...	8	98	8.1	2.0
Kelly Springfield Tire Co...............(c)...	6	71	8.5	16.0
Natl. Cloak & Suit Co..................(c.)...	7	97	7.4	...
Sears-Roebuck & Co....................(c.)...	7	100	6.4	12.6
U. S. Industrial Alcohol Co............(c.)...	7	98	7.1	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	90	7.7	(x) 2.2
Public Service of N. J..................(c.)...	8	102½	7.8	(y) 3.4
RAILROADS:				
Baltimore & Ohio....................(n.c.)...	4	58½	6.8	...
Colorado & Southern 1st pfd.........(n.c.)...	4	49	8.2	6.2
Pittsburgh & W. Va.....................(c.)...	6	86	7.0	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co.............(n.c.)...	6	70	8.6	1.3
California Petroleum partic. pfd.......(c.)...	7	95	7.4	1.3
Famous Players-Lasky Corp............(c.)...	8	82	9.7	(y) 5.7
Fisher Body Corp. of Ohio..............(c.)...	8	98	8.1	...
Mack Trucks, Inc., 1st..................(c.)...	7	94	7.4	(y) 2.8
Orpheum Circuit ....(c.)...	8	92	8.7	(w) 2.5
National Department Stores............(c.)...	7	92¼	7.5	4.0
Pure Oil Co. conv. pfd..................(c.)...	8	87	9.2	3.5
Worthington Pump & Mfg. "A".......(c.)...	7	81	8.5	2.0
PUBLIC UTILITIES:				
Market Street Railway prior pfd.........(c.)...	6	66	9.1	1.4
RAILROADS:				
Kansas City Southern.................(n.c.)...	4	53½	7.5	1.5
Pere Marquette.........................(c.)...	5	60½	8.2	2.2
St. Louis Southwestern...............(n.c.)...	5	58	8.6	1.7
Southern Railway ....(n.c.)...	5	67	7.4	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

When Will Leading Pump Maker Recover Earning Power?

Has the Turning Point in Worthington Pump Arrived?—Company's Handicaps and Advantages

By A. T. MILLER

WORTHINGTON PUMP was incorporated in 1916 as a reorganization of the old International Steam Pump Co. The latter was a typical overcapitalized merger of the 1899 period, which earned from 1 to 6% on its capital stock, for a number of years, and finally went into receivership at the end of 1914 because of inability to pay interest and sinking fund requirements on its heavy bond issues and inability to renew or pay off an issue of collateral trust notes.

It emerged considerably deflated, the old capitalization of 42.7 millions, including nearly 11 millions worth of bonds, having been cut to 28.7 millions of three classes of stock, with no funded debt.

The new company had considerable manufacturing capacity in its seven plants in Massachusetts, Pennsylvania, Ohio, Wisconsin and New York, but it had to enlarge some of its works during the war, and in 1919 purchased a plant at Pittsburg.

With the new period of lessened earnings which set in after the 1920 boom, the company had to retrench. It sold two inactive plants, and concentrated on the manufacture of a diverse line of heavy machinery, including not only pumps but gasoline engines, cement machinery, smelter machinery, condensers, compressors, and the like, whose customers are a wide range of heavy industries.

The company has had a considerable range of geographical as well as industrial diversification. It has European manufacturing subsidiaries in England, France and Germany, independent sales organizations in Hungary and Austria, and last year founded a new subsidiary in Italy.

TABLE I

WORTHINGTON'S EARNING POWER

Year	Earned Per Share	Paid Per Share
1916	$11.25	....
1917	33.10	....
1918	21.63	....
1919	18.39	....
1920	8.19	$4.50
1921	def.	5.50
1922	def.	3.00

TABLE II

WORTHINGTON'S SEVEN-YEAR BUSINESS RECORD

Year	Sales (in Millions)	Cents of Profit Per Dollar of Sales	Unfilled Orders at End of Year (in Millions)
1916	$14.1	14.2	$9.2
1917	28.4	21.8	41.8
1918	43.4	17.0	26.2
1919	32.1	15.3	8.8
1920	27.9	7.3	9.7
1921	17.3	8.9	4.5
1922	14.7	2.6	5.3

A WORTHINGTON PUMP
This company makes not only pumps, but also a wide range of machinery used in the heavy industries

During the first five years of its existence, under the stimulus of the Allied and American war demands, and of the post-war boom afterward, the company earned an average of over $18 a share. The good domestic and foreign demand in 1919 and 1920 enabled it to get over the expenses incidental to readjusting its production from a war to a peace basis. Its main trouble in the following years has been inability to get enough orders to keep the plants going at a profitable percentage of capacity.

Last year, for instance, the company is known to have operated at about 50% of capacity, and did not fully earn its preferred dividend requirements. The declining percentage of profits on sales, as indicated by the accompanying figures, tells the same story.

Conservative Financial Policy

The financial policy of the new company has been extremely conservative. From 1916, the date of its incorporation, to the end of 1922, it had increased its working capital from 9.3 millions to 15 millions; it increased plant account from 9.9 to 11.9 millions, and wrote off an ammunition department valued at 3 millions at the end of 1916. The dividend policy, as the table shows, was also very cautious.

With deductions for the poor year 1921, the company has earned during its corporate existence in its present form a gross income of 26 millions, from which it has deducted the large amount of 8 millions for Federal taxes alone, indicating the existence of another "hidden asset."

The capitalization of the company consists of 5.6 millions of Class A preferred stock, paying 7% and cumulative; 10.3

(*Please turn to page* 175)

An Outstanding Example of Prosperity in the Automobile Industry

Preferred Stock Rapidly Approaches Dividend Payments

By FREDERICK MAXWELL

ONE of the high lights of the automobile industry has been the astonishing performance of the Willys-Overland Co. in the past year and a half. In the early part of 1922, this company was almost prostrate financially; it had been showing operating deficits for two years; its prestige in the trade was lowered, and in fact it showed all the symptoms of an organization definitely on the down-grade. Buzzards were beginning to gather in anticipation of picking the bones. Then something happened, and that something was John N. N. Willys who took personal charge of operations. Mr. Willys supplied the vital spark necessary to make the vast machinery of his company function properly.

His first step was to instill confidence in his bankers, and the result was that they agreed to take $16.5 millions 7% bonds maturing December 1, 1923, thus relieving all immediate financial strain on the company. Inefficiency had crept into the organization, and in many ways it was far behind the standard set by other successful automobile companies. During the spring and summer of 1922, Mr. Willys devoted his efforts to the sales field. Stronger agents were obtained to handle the company's products, advertising methods were improved and a general feeling of enthusiasm instilled in the selling organization. In October of that year, Mr. Willys took over the position of general manager. Important economies in manufacturing methods were put into effect and plans laid for a much larger output.

Progress in 1923

The year 1922 was largely a period of readjustment, and, while the company reported a surplus of 2.7 millions, the progress made was not fully reflected until this year. In the first quarter of 1923, net profits, after deducting interest, taxes and depreciation totaled 2.7 millions or as much as was earned in the full 1922 year. In the second quarter, net profits were 5.2 millions, and in the third quarter 3.7 millions. For the first nine months, therefore, net income reached 11.6 millions which is a million more than the company ever earned before in a full year's period. The nine months' earnings are equivalent to $53 a share on the preferred stock, and, after deducting dividends (though not paid) on the preferred at the rate of 7% per annum, the balance is about $4.84 a share on the common stock.

As a result of this splendid showing, by the middle of August the company was able to pay in full the 16½ millions 7% bonds and still remain entirely free of bank loans. With business at capacity, however, the management decided to further increase working capital, and accordingly a 10-million dollar issue of 6½% bonds maturing September 1, 1933, were sold. Willys-Overland now has a very sound financial structure, working capital is in excess of 30 millions and ratio of current assets to current liabilities 3¾ to 1. As no dividends are being paid, the financial position will be further strengthened by the end of the year.

From threatened bankruptcy to a place among the strongest companies in the automobile industry is surely a big step in the space of a year and a half, and any company that can accomplish this feat is deserving of the attention of the discriminating investor. It is true that general conditions were unusually favorable as 1923 was the best year in the history of the automobile industry. Willys-Overland, however, has far exceeded the average increase in sales shown by the industry as a whole.

Production this year will reach at least 205,000 cars, or more than double the 1922 output. Moreover, sales since the middle of the year, have held up remarkably well and output will be maintained at close to capacity until the middle of December when it will be curtailed to take inventory. October output was 17,293 cars and 20,000 are scheduled for November. Recently a new model with several innovations was brought out—the Champion three-door-coupe-sedan—to sell for $695. This has made a very favorable impression on the trade and has resulted in a large volume of orders. The company now has thirteen models, at prices ranging from $495 to $695 for Overlands and $1,175 to $1,995 for Willys Knight.

Capitalization of Willys-Overland consists of 10 millions 6½% bonds due 1933, 22 millions 7% cumulative preferred stock and 2,160,000 shares of common stock of a par value of $25. Due to write-offs made in 1921 and 1922, on account of plant, inventory, good will, patents, etc., the company as of Dec. 31, 1922, had a profit and loss deficit of 43 millions. It is planned to wipe out this bookkeeping deficit by reducing the par value of the common stock or making it no par value. This will open the way for resumption of dividends on the preferred stock. The bonds are secured by a direct closed first mortgage on the real estate, buildings and machinery of the company with a sound depreciated value equivalent to more than 2½ times the amount of the bond issue. In addition, net liquid assets are equivalent to three times the bond issue. With earnings at the rate of 20 times bond interest this issue is in a strong position and at present price of 98 is an attractive investment.

Conclusion

Under provisions of the bond issue, profits prior to Sept. 1, 1923, cannot be used to pay dividends on the preferred stock. This restriction is now of no importance to preferred stockholders, however, as profits for the two months September and October alone were equivalent to about 10% on the preferred. With current earnings at the rate of 60% on the preferred issue and a strong financial condition there is every reason to expect early resumption of preferred dividends. To clear up the 21% back dividends on

(*Please turn to page* 190)

WILLYS-OVERLAND

	Net Income	Earned per Share on Common	Price Range Common High	Price Range Common Low
1917	$6,121,544	2.71	38½	15
1918	6,536,255	2.86	30	15½
1919	1,735,268	....	40¼	23¼
1920	*5,280,349	....	32	5⅛
1921	*13,999,494	....	10½	4⅜
1922	2,779,831	0.57	10	4½
1923 (1st 9 mos.)	11,632,386	†4.84	8½	5

* Deficit. † After deducting preferred dividends at the rate of 7% per annum.

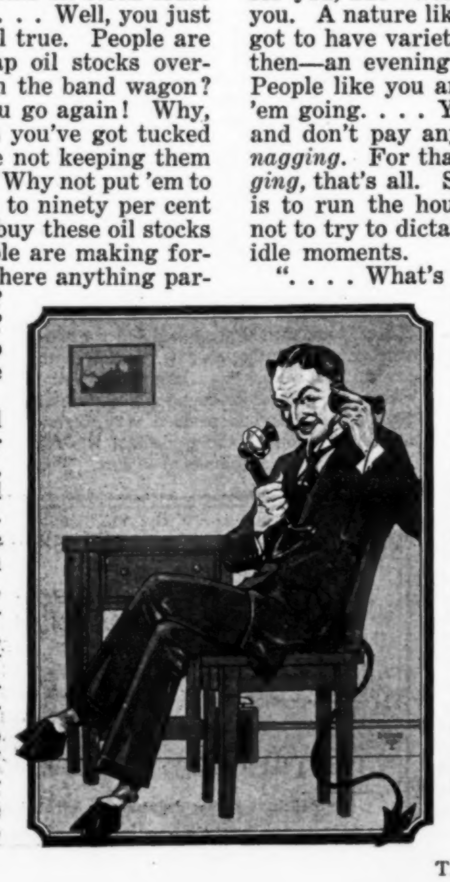
"Hello! Hello! Mr. Human Being? This Is Your Old Friend the Devil Speaking

"HEAR you're thinking of buying a car. . . . That's fine. . . . You ought to get a lot of enjoyment out of it. . . . What's that? . . . . 'Fraid you can't afford it? Why, my dear old fellow, of *course* you can afford it! We can afford anything that gives us pleasure. Remember, the object of life is Happiness. . . . Listen: If I were you I'd tell that fellow to go to the dickens. What right has *he* got to give you advice? You're your own master, aren't you? . . . You're not going to have anybody else dictating what you shall do with your money, are you? . . . Well, then: Go ahead and buy the car, and tell this fellow that's advising against it to mind his own affairs. They probably need attention.

"Say, have you heard about this oil-stock craze they're having down in Texas? . . . Well, you just take it at its face value. It's all true. People are making *fortunes* in these cheap oil stocks overnight. Why don't you get in on the band wagon? . . . . Oh, gee whiz! There you go again! Why, how about those Liberty Bonds you've got tucked away in the bank, huh? You're not keeping them there out of sentiment, are you? Why not put 'em to some use? You can borrow up to ninety per cent on them, and use the money to buy these oil stocks with. . . . Listen, if other people are making fortunes, why shouldn't you? Is there anything particularly unlucky about you? Have you a jinx of some sort? . . . Well, then, why not go down and get your share of the Big Money?

"By the way, I met your old friend Tom Jenkins the other evening. . . . Yeh. Believe me, Being, Old Top, he's made good since he left your firm. . . . Yessir, it was nothing but the restrictions they imposed on him there that kept him back. Why, the first day he was out for himself he made a killing . . . well, you *can* do the same, if you only decide you're going to. Certainly, you don't believe your boss wants you to succeed, do you? You know he'd go out of his way to prevent you getting ahead? It's to his advantage to hold you down. You *know* he takes the credit and the cash for everything you put over down there. Well, why not put yourself in his place—why not be your own boss, like Tom Jenkins is? . . . *Sure,* he takes some risk. But don't you take a risk working for him? And what do you get out of it? *Nothing,* I'll say. Now, if you were to just follow Tom's example, you'd be all right. . . . Oh, don't hand me that old 'rolling-stone' argument. I'd rather be a rolling stone than a stick-in-the-mud any day.

"And, say, Being! This is just between you and me! I know how much trouble you've been having getting along with your wife. And I just want to tell you that the trouble is with her, not you. I don't want to say she's not good enough for you, but—well, she simply doesn't understand you. A nature like yours needs diversion. You've got to have variety. A session of poker, now and then—an evening with the boys—a hunting trip. People like you and me need these things to keep 'em going. . . . You bet we do! Take my advice, and don't pay any attention to her—well, to her *nagging.* For that's what it is. Being—just *nagging,* that's all. She ought to know that her place is to run the house, while you run the business, not to try to dictate how you should spend all your idle moments.



". . . . What's that? Life Insurance? Oh, Being! You *won't* fall for that, will you? . . . Oh, gosh! . . . What's the matter with me? Why, listen: Don't you know what a crazy thing it is for a big, strong, healthy man like you to pay a lot of money every year into an insurance company's treasury when you might just as well be spending it on your own happiness? . . . I *know* your wife would get enough to carry her along, in case anything happened to you, but she doesn't need it. Her folks are well enough off to take care of her, if worst comes to worst. Why should you sacrifice her happiness and yours now on account of foolish fears about what might happen tomorrow? . . . Listen: If I were

(*Please turn to page* 180)

Twenty Years of Happiness!

How One Income Builder Made This Ideal Possible to Attain

By R. H. Cohoon

WHY do some men spend $100 per year for gas and electricity, another hundred for car fare and lunches, 00 for rent, and more than this for food? Why do they continue this policy year after year realizing as they must that the total of these items, for a period of years, amounts to several thousand dollars?

The reason is apparent—they are compelled to for their immediate existence. They follow this procedure through life, and do it naturally, often without a great deal of thought.

In striking contrast is the thinking man who follows a similar program but, in addition, is planning for a comfortable future existence. These men feel the real need of providing the means of a livelihood for themselves and families in their declining years, and they begin early to save.

Man's ingenuity has devised many methods of accomplishing the desired result—namely, an invested principal to care for him in later years. "Nothing succeeds like success," and this is very true of saving—systematic accumulation of money prompted by necessity.

THE INVESTMENT PLAN MR. COHOON RECOMMENDS

Showing number of shares in a Co-operative Bank purchased at regular intervals, the monthly and annual charges assumed, the total number of shares finally amassed, their principal value and income yield.

Purchased — Date	Shares	Cost — Month	Year
May 1905	5	$5	$60
May 1906	5	10	120
May 1907	5	15	180
May 1908	5	20	240
May 1909	5	25	300
May 1910	5	30	360
May 1911	5	35	420
May 1912	5	40	480
May 1913		40	480
May 1914		40	480
May 1915		40	480
May 1916		40	480
May 1917		35	420
May 1918		30	360
May 1919		25	300
May 1920		20	240
May 1921		15	180
May 1922		10	120
May 1923		5	60
Total cost		$5,760	

Date	Received Shares	Amount
May 1917	5	$1,000
May 1918	5	1,000
May 1919	5	1,000
May 1920	5	1,000
May 1921	5	1,000
May 1922	5	1,000
May 1923	5	1,000
May 1924	5	1,000
Total received		$8,000
Interest		2,240

A Plan That Has Been Tried

The following plan has been tried and found entirely satisfactory for providing the writer and his family with $8,000 coming to him in annual installments of $1,000 at a period in life when there are children to educate and later to be sent to college.

Married at 31 with an income of $2,000 per year and a small savings bank account. Immediately purchased five shares of stock in a Co-operative Bank paying therefore $5 per month. One year later salary $2,250 and another five shares of stock purchased. Succeeding years have seen advances in salary and an additional five shares of stock, with its 5½% increasing the principal, each year. The resulting figures are shown in the accompanying table.

What Wonders It Works

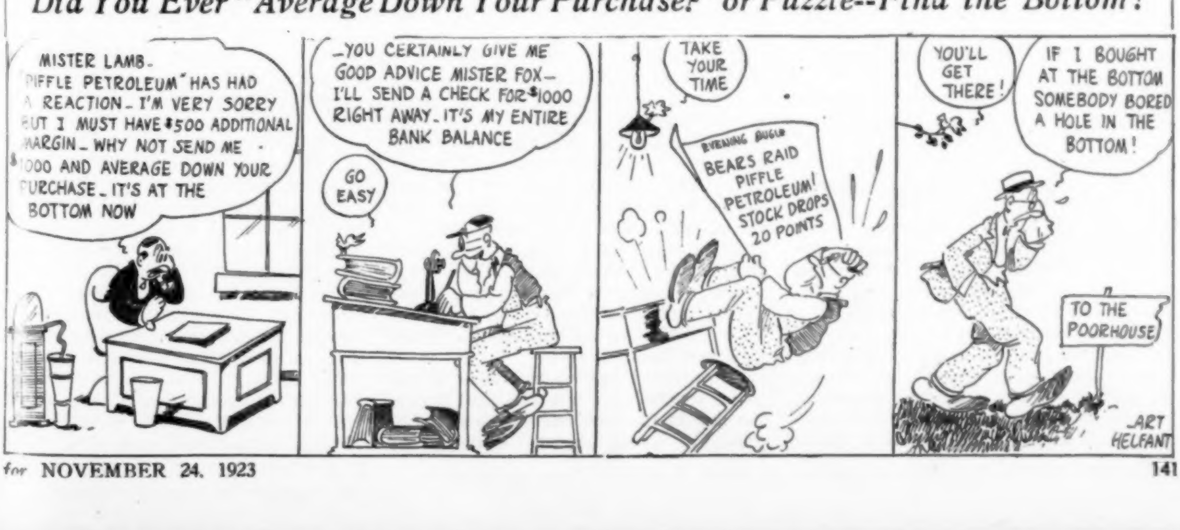
This plan has worked wonders for our family and has been followed with as much success by two of our friends. Among other desirable assets which this plan will bring to any family are:

1. Home budgets and family accounts,
2. A wonderful feeling of independence,
3. An increasing knowledge and interest in investments,
4. And, above all, an established reputation that has brought us credit and enables us to build a small, but comfortable, home of our own, and an invested principal as well.

In conclusion let me ask—with a home and family and funds to educate the children, personal credit established, many kind friends, good health and happiness, what more can a man desire in life?

Mr. Cohoon's plan, as described, is just one more gun in the campaign to popularize regular investment of savings, however small, which has been waged in these columns for many years past.

Did You Ever "Average Down Your Purchase" or Puzzle--Find the Bottom!



A Home-Builder's Experience with the "Mechanics Lien Law"

How An Untrustworthy Contractor Made His Life Miserable—for a While

By A. W. B.

Here is a Home Building story that no intending builder should fail to read.

It traces one Builder's experiences with that greatest of all ogres—the dishonest or incapable contractor.

The story is written from life.

I HAVE lately emerged from the undertaking of building a home for my growing family, and have brought out of it much information and experience that to me was new. The Mechanics Lien Law has sometimes brought sorrow to careless or ill-advised builders. It gave me some anxious hours, but I found that, while framed to protect those who contribute to the building of the home, the law does not protect them at the expense of the honest and diligent owner.

No home builder can fail to learn things of interest and value to others, who plan to follow his example; but my own experience developed some angles that were perhaps in a measure unique. I escaped the possible pitfalls of the Lien Law, and, through another's misfortune, obtained a house at less than the prevailing cost of building.

For several years, I had carried a lot choicely located, in a suburban New York town, until I should feel able to deliver my small children from the bondage of an apartment and the perils of city streets. Last year it seemed that I was financially able to build. It was indeed an expensive time, but my wife and I felt that nothing would justify our waiting, beyond the time when we believed we could carry it through.

In the years we had been planning a home, we had evolved quite definite ideas of what we wanted. I had some skill in drafting and worked out our plans for the builder. This saved me the architect's fee, but left the building without his expert supervision. While I cannot regret the economy, I am quite of the opinion he would have saved me his fee in money and certainly in time and worry. The best of contractors needs the check of a skilled and interested observer.

I took the plans to a responsible builder in the town and obtained an estimate from him. His figure was staggering, not to say prohibitive, and I looked further. By inquiry I learned of a builder in a nearby town, with a reputation for what was called close figuring. He made an attractive offer, twenty per cent under that of the local man, and justified his figure on the ground that most of the work would be done in the winter. Labor would be cheaper, he must keep his organization together, and this he could not do without work. I found no other bidder as low, and I closed with his offer. Knowing little of him, I should have required him to give me a bond for the fulfillment of his contract, but I was too eager to be careful, and had I insisted on a bond I would doubtless have lost the contract. No intelligent surety would have become obligated for its performance.

I prided myself considerably upon my ability as a trader and my acumen, in escaping the "profiteers," whose thirst for unconscionable gains I was now convinced was the chief, if not the sole reason, for high building costs. Both my wife and myself expressed ourselves quite freely, in the spirit of missionaries who would bring the light of their knowledge to those less fortunate. I even told the local builder of my success, but he only smiled and said, "It can't be done. We'll see where you get off."

I had my lawyer draw a written contract between the builder and myself, the terms of which we worked over with some care, for I realized that the work to be done and the materials to be used should be specified carefully and in detail. The contract also fixed the amount of the payments to be made to the contractor on account as the work went on, and the points in its progress at which they should become due. These provisions, inserted at his instance, I regarded as for his benefit. I did not then know how important the clauses would afterward become to me.

I soon found that my contractor needed to be watched. I was employed during the day in the city, and this was rather difficult to accomplish, but I examined the work in the evenings and over week-ends, and caught many defects and failures to comply with the specifications of the contract. I found, for example, that in the frame he was spacing joists and rafters much wider than the contract allowed, was omitting needed braces, and was nowhere taking the time adequately to nail the frame. His explanation of these things was, that he must get the house enclosed and roofed before the bad weather of the winter, after which he could supply the lacking timbers and renail the whole. I refused to be convinced and had many heated arguments with the contractor over these matters, succeeding, however, in getting them remedied only in part.

As time passed, the condition grew worse instead of better. I saw nothing to do but to delay payments under the contract, after the builder claimed they were due, and even to hold back a portion of the payments when I made them, in order to cover the cost of completing the work that had been done defectively or not at all. The builder would have had me make the payments, before they were due under the contract. My lawyer's warning that to do so might leave me liable tor the builder's unpaid debts, incurred in connection with the contract, was hardly necessary to keep me from yielding to his request. In fact, we reached a point at last where I refused to make any part of a large payment claimed under the contract, until the builder should go back over the job and bring it up to specifications. This I felt to be now absolutely necessary, for if the work went further, important defects would be entirely covered and the opportunity to repair them would be forever lost.

The builder had no just cause for complaint, and he was in fact honest enough to admit the existence of defects in his work which, however, he would take care of in due course, if left to himself. He promised largely, argued earnestly and in the end begged abjectly for the money which he needed to take care of pressing obligations. Fortunately, however, I was firm, and steadfastly refused to alter my decision, to withhold all further payments until the work done had been made as specified. Beginning with the foundation, I had made careful notes of things slighted in the work, each of which had

been repeatedly brought to the attention of the builder. I now gave him a memorandum of these defects that must be remedied, and left him to solve his difficulties.

The solution came promptly. The next day was Saturday. His men appeared and one or two sub-contractors went on with their special work, but the contractor himself was absent, and in the afternoon it became known that he had filed a notice of lien against the property and followed it with a petition in bankruptcy. I then found that the builder owed everybody who had been with him on the job. None of his workmen were, of course, paid for the current week. His foreman's wages were in arrears for several weeks. Sub-contractor on mason work, plumbing and electric wiring had large sums coming to them. Material men, who had furnished lumber, cement, nails and hardware were still waiting for their pay. My builder had in fact misrepresented to all of them the terms of his contract, the price at which he was doing the work and the reasons for his financial difficulties. Being a plausible promiser and personally liked he had lulled them to sleep. They had failed to obtain from me, as they had a right to do, the actual terms of his contract, and none of them knew his true financial status under the contract.

"I escaped the possible pitfalls of the Lien Law and, through another's misfortune, obtained a house at less than the prevailing cost of building."

Now it became a case of each man for himself, and in the next few days I learned more about the Mechanics Lien Law than I had ever expected to know in a lifetime. Every creditor of the builder, whose claim had arisen from the building of my house, hurried to file against the property liens for the amount due them, from the contractor, and to serve me with notice of their liens. From the plumbing contractor to Tony, the hod carrier, they lay in wait to serve papers upon me, until I was tempted to put a barrel in the house with a card on it, "Drop Notices of Liens Here."

My first great shock, following the failure, came when I visited the local contractor, whose bid had been originally rejected, and asked him for a proposition to finish the house. He refused to touch it, on several grounds. First, till the liens were cleared up, he could not protect himself in doing the work, if for any reason he should have difficulty in getting his money, as he understood the other contractor had. Secondly, with the liens on the property, he could not get sub-contractors or material men to deal with him on the job. Thirdly, he had a natural aversion to doing over again the work of another contractor, and he would have great difficulty to find men to do such work. Making good defects in building is slow, difficult and unsatisfactory, he said. What is involved cannot be told in advance. The work requires unusual patience and often greater skill than to do it right in the first instance. The results of the most faithful effort never show, and the workman gets out of it neither satisfaction nor credit.

My lawyer helped me with the liens. He assured me that my property could not be held for more than the amount justly due the builder under his contract at the time of his failure and that, if I went on and finished the house, whatever it cost to complete in excess of the contract price, might be deducted from the amount still unpaid to the original contractor. From this point of view, the situation looked better, and I saw that the improvident figure at which the contractor had undertaken the job, would now inure to my benefit in the settlement. If the work had been properly finished, up to the point at which the builder quit, about two-thirds of the contract price would have been due him. While less than half of the amount had been paid him, I learned afterward that he had not been able to do the work, even in the imperfect manner in which it had been done, within the contract price. Thus, although the contract had not been carried out, I had in a sense received, at current prices, more than value for the money I had paid.

"I found that, while framed to protect those who contribute to the building of a home, the law does not protect them at the expense of the honest and diligent owner."

By taking some time away from business, I succeeded in finding reliable mechanics who would finish the house for day wages. I had them begin at the beginning of the construction, go over it all and, so far as possible, bring it up to the specifications of the contract. This took a vast deal of time and ate up all the arrears in the payments that would have been due the builder at that stage of the work had he done it properly.

With the figures for this work, and my lawyer's help, I had no difficulty in persuading most of the lienors that there was little in the proposition for them. I paid off the few laborers in full, though no more bound to take care of them than of any other of the builder's creditors. I settled with some of the mechanics for a portion of their claims and induced others to give up their liens in consideration of their employment by me on the house. The larger lienors were stubborn and intractable, and these I allowed to wait. I saw no reason why I should relieve a hardship to them for which I was blameless, and which had been equally a hardship to myself. The progress of the work speedily satisfied me that the builder's claim and theirs would be worthless, for there would be nothing payable under the contract, to which their liens might attach, and my lawyer advised me to let them stand.

One annoyance I found in completing the house was that, like every home builder, I thought of things that I wanted to change or add. In view of the conditions, however, I made no material alterations in the plans, although I did add several items, the extra cost of which was easily calculable. In time I had the house completed in substantial accord with the original specifications and with approximately this result:

Original contract price.....	$12,000.00	
Paid the first contractor...		$4,850.00
Paid in settlement of liens.		350.00
Cost to complete contract..		7,000.00
Excess of cost over contract price	200.00	
	$12,200.00	$12,200.00

There were still liens on record against the property, but as I did not build the house to sell, and my lawyer advised me they would become void in one year after filing, unless actions were brought to foreclose them, I felt sure of my position and waited developments. No lienor thought his claim worth a suit to enforce it, and now that a year has elapsed since the last lien was filed, I have the satisfaction of holding the property free from any claim, arising out of the contract.

It is true that I had a great deal of worry, annoyance and hard work, and some expense for attorney's fees, which should not be forgotten in estimating the net result, but it is equally true that I did come out of an embarrassing situation very well. I had my home completed according to my plans and at a cost several thousand dollars less than the bid of the local contractor, whose figures were probably as low as the plans would warrant. And, curiously enough, the very improvidence of the builder's contract was my chief ally in accomplishing this. Of course, I would have been equally fortunate had the builder fulfilled his contract, but then there would have been no story, for I would never have learned that the Mechanics Lien Law is not meant to take from a man the benefit of his bargain, or charge him with any obligation that he has not voluntarily assumed.

"The Mechanics Lien Law is not meant to take from a man the benefit of his bargain or charge him with an obligation that he has not voluntarily assumed."

Points for Income Builders

Descriptions of a Few of the Many Kinds of Banks Now in Existence

THE last generation has witnessed the development of many particularized forms of banking, each one for a more specific purpose, or for operation in a more closely limited field, than the banking institutions of former times. A few of these newer banking "types" may be described here.

Co-Operative Bank

A "co-operative bank" is a more or less loose term used to classify such institutions as mutual loan associations, building and loan associations and the like. In effect, it refers to any institution formed by a number of persons and having the mutual financial interests of those persons as its particular purpose.

Co-operative banks used to be popular principally as a means of establishing a central loan fund which would be available to members in times of need and at reasonable terms. Latterly, however, the co-operative bank has forged ahead as an investment medium, and more and more small investors are making use of it in this way. An interesting example of how the Co-operative Bank can help in building an income is to be found in the article by Mr. R. H. Cohoon, on page 141, in which the author traces his own personal experience with an institution of this kind.

Federal Land Banks

Federal Land Banks are institutions formed under the Federal Farm Loan Act, one for each Federal Land Bank "district," whose chief activity, from the farmer's point of view, is the issue of bonds secured by first mortgages on farm lands.

Joint Stock Land Bank

The chief difference between the Joint Stock Land Bank and the Federal Land Bank is that the latter type composes part of a centralized system, whereas the Joint Stock Bank, wherever formed, is an individual unit standing on its own feet. Like the F. L. B., the Joint Stock Land Bank also has as its chief function the extension of credits secured by farm mortgages.

Finance Company

Within the past five years, said The Magazine's Banking Department recently, there has developed a widespread and extremely successful movement whose main result has been the establishmnt of what are called "finance companies" or "commercial credit companies."

The work of the finance company is essentially that of enabling a borrower who cannot get credit from his bank, according to recognized banking methods, to obtain accommodation nevertheless.

In other words, Finance Companies advance credits that bankers must refuse to give. Can they do this without undue risk? Can their credit-terms be equitable and just? What is the secret of their remarkable success?

For those who want a clear and thorough answer to these questions, a reading of the article on page 1214 of our October 27th, last, issue is recommended.

Building & Loan Association

So much has been said about the Building & Loan Association in these columns that most of our readers must be thoroughly familiar with their purposes and functions.

In a word, they are co-operative associations designed primarily to aid intending homebuilders secure the financial aid they need in order to carry out their projects. They attain this purpose by collecting a number of persons together in an association under an arrangement, whereby their joint savings are made available to one another for home-building purposes. The money is loaned on the well-known building and loan plan, which is unique in its benefits.

Depreciation and Depletion

Income builders who take time to examine the reports of the companies in which they are interested will note that, in most income accounts, a deduction is made on account of "Depreciation and Depletion" before final reckoning is cast of earnings on the outstanding securities.

The terms "depreciation and depletion" may have a rather formidable sound; but their meaning and application are actually very simple. "Depreciation" means an allowance—a reserve fund—set aside by the management of a company to compensate for wear and tear on its buildings, machinery and other physical assets; "depletion" is a similar allowance set aside to compensate for any decline in the value of such assets.

For an analogy of the term "depreciation," take the man who buys a new automobile, for which he pays $1,200, and who runs that car for two years. Obviously, after the two years are up, the car will be considerably run down, and its selling value will be considerably below its original cost. Were an automobile owner, then, to figure out just what the prospective wear and tear on his car over a given period would be, were he to build up during the period a fund to correspond to that wear and tear, he would simply be taking "depreciation" into account, just as corporations do.

A Poem

"Dare you to publish this!" dared a staff member, sliding a typewritten sheet onto our desk.

"What is 'this'?" we asked.

"You'd call it a poem—if you were kind-hearted enough," was the reply.

We took up the sheet. This is what we read:

"When your future looms before you
"Buy a bond.
"When ambition surges o'er you
"Buy a bond.
"If you'd make yourself the master
"Of your fate—if you'd move faster
"TOWARD success and FROM disaster—
"Buy a bond!

"Do you envy real contentment?
"Buy a bond.
"Do your means arouse resentment?
"Buy a bond.
"Would you look at Life's steep grade
"Calm, assured and unafraid,
"Certain that your fortune's laid?
"Buy a bond!

"If your nerves are torn to shreds
"Buy a bond.
"If each day brings on new dreads
"Buy a bond.
"If you lie awake at night—
"Or, from sleeping, wake in fright
"Wondering if you've 'played it right'—
"Buy a bond!"

"Umph!" we commented, after the reading. "Not so terribly bad. Only hadn't you better say what bond to buy?"

"Oh, leave that to the Bond Buyers Guide!" was the reply.

We did.

How I Would Solve These Insurance Problems

Readers' Inquiries Analyzed and Conscientiously Answered

By (Mrs.) Florence Provost Clarendon

SHOULD HE HOLD OFF?

Reader Postpones Life Insurance Fearing Dollar's Depreciation

Having noticed the sinking value of the dollar in the last ten years, I have refrained from taking life insurance, since if this continues at the same pace for the next ten years the dollars paid in now will have but about a 50-cent value ten years hence. This objection is the only consideration that has prevented me from taking life insurance, and I certainly would be pleased to have your frank opinion on this point. I know quite a number of old subscribers to life insurance who figure they have lost heavily on this account.—A. C. B., Bourbonnais, Illinois.

No one can foretell what the value of the dollar will be ten, twenty or forty years hence. On many insurance policies no claim is made for long years in the future, and the business man or financier of keenest intelligence and widest experience cannot forecast accurately the economic conditions which will obtain twenty years from now. The value of the dollar may depreciate—it may appreciate; my personal opinion is that its value will increase rather than diminish, because the reduction in the value of the dollar was so rapid and had such a specific cause in the destruction of capital under war conditions that, with an era of peace, the dollar value seems almost bound to rise to a more normal level.

But money placed in savings banks, mortgages, bonds or other investment mediums would necessarily be influenced by the same economic conditions. If the idea of abstaining from investment in life insurance, because the value of the dollar may have materially depreciated at the maturity of the contract were carried out to its logical conclusion, then your theory would be to spend all earnings *now* when you at least can take advantage of the present currency values, and then let the future take care of itself! This is the logical sequence of your argument, but it is folly to any thrifty man.

The depreciated dollar is better than no dollar at all. There is far more reason for an optimistic vision of the future of this country than one of pessimism; and in any event a man owes it to himself and to the community in which he lives to lay up during his years of vigor and earning capacity a fund for maintenance in old age.

You will probably name a beneficiary who would receive the proceeds of your endowment if you died before its maturity date at the end of 30 years. How can you calculate *when* a claim of this type might be made? How will you provide an income for old age when your earning power will be practically nil, unless you now lay aside a portion of your present dollars for future use?

SOME SURPRISING STATEMENTS

Agent of Great West Life Quoted as Making Remarkable Claims

I am a subscriber and have decided to take more insurance. I hold $2,000 20-year in New York Life maturing in '35, and $1,000 20-year maturing in '42. Am considering taking $2,000 in the Great West Life Assurance Co. of Winnipeg. Do you consider this company as safe as the New York Life?

At my age of 30, the Great West premium is $35.50 for 20-year payment, while New York Life seems to be about $37.00. The agent informs me that Great West has never paid less than 6½% on the accumulating dividend plan, while New York Life has never paid over 4¾%. He also says that the rate of interest for 1922 was 7.18%. This seems rather unusual to me. He states also that rates and values are guaranteed by the Company and "by the Constitution of the United States and Canada." This is news to me.

I am earning $3,600 a year and save about $900. Married, but no children.

What kind of policy would you advise and about how much should I take out?—J. R. W., Chicago, Ill.

You raise a most interesting question in your letter; and the things you quote the agent as saying give cause for reflection.

We do not give preferential advice as between two companies of first-class standing. The New York Life is an old and reliable institution, excellently managed, and the Great West Life is an excellent company notwithstanding the incorrect and misleading statements made by their agent to the effect that "the rates and values are guaranteed by the company, also by the Constitution of the United States and Canada." Of course, the company is under the supervision of insurance departments both in Canada and the United States, but it is quite untrue to say that the governments of the two countries guarantee their rates and values.

Statements of this character made by an agent must cause any thoughtful man to distrust all other statements of the agent, and they do the company he represents a great deal of harm. The Great

(*Please turn to page* 178)

HOW OUR INSURANCE DEPARTMENT HELPS ·

A facsimile of one of the many appreciative letters received by our Insurance Department attesting to the widespread use being made of this Department and the confidence it enjoys among insurance-seeking men and women.

ALLENTOWN
PORTLAND CEMENT CO.
ALLENTOWN, PENNSYLVANIA

Magazine of Wall Street,
42 Broadway,
New York City.

Nov. 5th, 1923.

Dear Madam: Att: of Florence Provost Clarendon

Thank you very much for your letter of October 25th in reply to mine of the 17th.

Your interest is very much appreciated and I can assure you that the details which you have given me will prove very useful.

Again thanking you, I am

Yours truly.

E. D. Schuler

E. D. Schuler

EDS:S

Public Utilities

Will Public Utility Operating Costs Decline?

Changes in Costs in Past Six Months —Principal Raw Materials Decline

By GEORGE M. HOWARD

SINCE the public utilities, as a group, went through their period of depression during the 1919-20 boom, critical investors have come to associate their outlook with that of the business outlook as a whole, on the ground that they usually travel in opposite directions. Public utilties' gross incomes being relatively fixed by the rates awarded by commissions, their profits depend on the fluctuations of their operating costs. With industrial concerns, the problem is more complex, because of the possibility of passing increased costs along to the customer; in the case of the utilities, it takes so long for rates to move up or down that this factor may be left out of considerations, thus greatly simplifying the problem.

The great elements of costs for the public utilities are the price of coal, the cost of financing, and the level of wages. Other factors, such as construction costs, copper prices, cost of oil, etc., enter in varying degree into the costs of the different types of utilities. A gas company, for instance, would be particularly interested in the price of gas oil; a traction or an electric power company in the cost of copper, and so on.

In the following paragraphs we shall trace the recent trend and the probable outlook for the main elements of cost which the utilities have to face, and after rapidly reviewing them one by one, shall be in better position to summarize the outlook for the earnings of the utilities as a body.

COAL The declining trend of soft-coal prices during the greater part of the current year has been very helpful to the utilities, directly to the gas and steam-electric companies, and less directly to tractions and other users of electricity generated by coal. The industry seems to have entered on a phase of overproduction and excessive supplies, which tends to keep buyers out of the market. The prospects of a reasonably abundant supply of hard coal indicate that those grades of bituminous which compete with anthracite for household consumption will not be in great demand this year. On the other hand, the low price of fuel oil and its ready accessibility have tended to depress soft-coal prices, because in the event of a rise in the latter it would be greatly to the advantage of large consumers, such as central heating stations, steam power generating stations, marine boilers, and the like to turn to fuel oil, as was done on a large scale some three or four years ago.

A revival of domestic buying in the event of improving wholesale business would lead to some improvement in the situation, but for the time being this is not a serious market factor. **For the immediate outlook, therefore, that part of the utilities' costs which is attributable to the cost of coal, should not show any increase, though it is doubtful if coal prices can decline much from present levels in view of the export buying demand which would develop at lower prices.**

LABOR Labor costs have apparently turned the corner, and are now heading downward. It is some time since wage advances of any significance were announced, while reports of wage cuts in mining and textile labor indicate the downward trend. One reason for this is partly seasonal; that section of the floating labor supply whi h has been occupied on the farms during the summer will now begin to look around for indoor work, while the lessened scale of industrial operations, compared with six months ago, has lessened the tension of the labor shortage. This weakened strategic position of the marginal labor supply has had its effect even on the semi-skilled classes, and, while it may be too early to speak of a general downward movement, it is unlikely that the utilities' labor costs will go up in the near future. **The utilities are in a peculiar position insofar as their labor supply is concerned, as some of them, like the tractions in particular, make advances or reductions in wages with extreme slowness, and consequently tend to lag behind the procession in both cases.**

MONEY The cost of money is an important factor to those utilities which are situated in growing sections where the demand for utility service is still growing. For certain types of utilities this applies equally to old sections where the particular type of service rendered is in greater demand. The large stock flotations of the New York Telephone Co. and the American Telephone & Telegraph Co. to finance extensions of the telephone service in New York City are a case in point, while Hudson & Manhattan R. R. Co., to take an extreme instance, has not come into the market for new capital for many years.

The trend of yields on long-term investments, which measures the cost of new financing over long periods of time, has been downward during the greater part of the year, and has shown no signs of sustained upward trend as yet. **This means that a public utility company is able to raise new funds by means of a 6% bond issue, say, where it would have had to pay 7½% or more three years ago.** The vogue of "consumer ownership" methods of financing, whereby the company's customers buy the company's securities directly from the company, has added a further economy in financing costs by eliminating a large part of the underwriting and syndicate costs formerly charged by investment houses for distributing securities in connection with new financing. This element of costs, therefore, is also showing up well to the utility companies' advantage.

"The general impression conveyed by the recent price trend is that the costs of public utility operation should be unusually low during the next few months, in comparison with conditions for the past year, and that earnings should be correspondingly good."

COPPER The course of copper prices has been downward with very little interruption since the high point was reached in April. Recently a marked revival has taken place, but it is too early as yet to say whether the utilities are facing a period of higher copper prices. In any case, most of the larger companies have provided well in advance for their estimated requirements of copper, so that subsequent advances will not affect them for some time to come.

In any case, in view of the fact that large stocks of copper still remain to be cleared away, that two of the copper industry's best customers, building construction and the automobile industry, are preparing for the normal seasonal winter dullness in their lines, and that a flood of copper from countries where production cost is low, is still pouring into this country, **it would not seem that the utilities have much to fear from a run-**

(Please turn to page 160)

Standard Gas & Electric Co.

Record Earnings of Old-Line Public Utility

Electric Power Business Expanding Rapidly—Investment Status of Common and Preferred Stocks

By JOSEPH B. MURRAY

THE Standard Gas & Electric Co. was organized in 1910 as a holding company for the public utility properties operated by the Byllesby interests. It is controlled by H. M. Byllesby & Co., which is the financing organ for the subsidiary operating companies, and it in turn controls the Byllesby Engineering & Management Co., which is in charge of construction work, maintenance, operating policies, etc., for the entire system.

The properties are spread out over the West of the United States. At the date of the last report, for 1922, they served 665 separate communities. By far the larger part of the business consists of the production and distribution of electric power, as 593 of these communities were supplied last year with electricity alone, and another 58 with electricity in addition to other services. The most important of the latter is gas supply, and to a smaller extent, water, telephone, steam, and traction service.

While the subsidiaries generate their electricity both through water power and through steam, the latter constitutes the larger part of their operations. Last year the company operated 15 hydro-electric stations and 41 steam stations, with a rating of 51,791 and 366,681 horse-power, respectively.

Both steam and water-power electric companies have been enjoying a favorable trade position because of the growing demand for their product, which reduces net cost per unit, and because of the low level of bituminous prices which has prevailed for the greater part of the year.

The Byllesby properties are still expanding rapidly. Last year they spent 25 millions for additional construction and equipment, and for the current year it is estimated that expenditures will total about 30 millions.

Expenditures for Construction

The company's earnings have shown an irregularly improving trend in recent years, and because of the nature of the business did not fall off much even in 1920, which was a bad year for most utilities.

According to the most recent figures, the combined net earnings of the subsidiaries for the twelve months ending September 30, 1923, were 17.5 millions, compared with 14.9 millions for a similar period ending September 30, 1922, and with 13.9 millions for the calendar year 1922, which was the highest figure for any calendar year on record.

These earnings should, of course, be distinguished from the net income of the holding company, which consists chiefly of interest and dividends on securities of subsidiary companies which it owns, and, therefore, leaves a margin for surplus and reserves for the subsidiaries. The accompanying earnings figures represent this net income of the holding company, and not the combined earnings of the subsidiaries.

The financial position of the holding company (not including the consolidated subsidiaries), at the end of last year, was good, current assets totalling 5.5 millions against 1.4 millions of current liabilities. Among the former, receivables amounted to 3.9 millions, cash to $316,000 and accrued interest and dividends receivable to $351,000, while an item designated as "security sales accounts—installment contracts—the securities sold being held as collateral" amounts to $910,000. The chief items among the current liabilities are a loan of $411,500 from an affiliated company, notes payable of $529,000, and accrued interest on the funded debt, amounting to $418,000.

The capitalization of the holding company consists of 32.1 millions of funded debt, 15.1 millions of 8% cumulative preferred stock of $50 par, and 212,000 shares of common of no par value. The latter was put on a $2.50 annual basis this year, having paid no dividends previously.

Conclusion

The preferred stock, now selling around 48, has shown unusual stability during the year, its lowest point having been about 46½ and its highest 51½. Its yield of 8.3% is about commensurate with its rating as a somewhat unseasoned preferred stock which should achieve a higher investment status if the present rate of earnings continues.

As to the common, the outlook is somewhat less clear. The company is undoubtedly making a good deal of money, and the amount outstanding is so low compared with the total capitalization that in times of rising earnings it makes an unusually good showing. On the other hand, the company is putting a good deal of money into new construction at the current high prices. **At present prices around 28, the stock yields a little under 9%, which makes it attractive for many investors, but it will need some years more of earnings at the excellent levels of recent years to be attractive to the very conservative investor.**

TABLE I

STANDARD G. & E.'S FINANCIAL RECORD

Year	Earned Per Share of Pfd.	Paid Per Share of Pfd.
1914	$2.63	$3.50
1915	3.15	2.00
1916	4.80	2.25
1917	3.47	3.00
1918	3.12	3.00
1919	7.68	*10.25
1920	6.88	4.00
1921	8.36	4.00
1922	9.16	4.00

*** Including $6.50 a share in common stock in settlement of accruals.**

TABLE II

GROWTH OF STANDARD GAS & ELECTRIC'S BUSINESS

Class	1918	1919	1920	1921	1922
Electricity Consumers	256,454	284,771	317,452	349,338	386,382
Gas Consumers	144,690	151,200	157,572	165,270	176,194
Telephone Subscribers	3,441	3,898	4,214	4,568	4,527

Mining

Status of Six Leading Low-Cost Copper Producers

Brief Analyses of Companies Which Can Make Money Under Present Conditions

By FRANK L. GEORGE

SUDDEN recovery in the price of copper metal has heartened the copper producers. Sinking from nearly 14c a lb. in August, the average price of electrolytic reached a low of around 12¼c a lb. in November and the copper producers regarded the outlook with discouragement. Curtailment in production appeared to be the only solution of the problem, since 12½c is not a living price for many producers.

October's shipments of 210,000,000 lbs. were the second largest for any one month in the history of the industry and were 50,000,000 lbs. greater than for September. Notwithstanding, stocks increased 20,000,000 lbs. in October, making a total of 70,000,000 lbs. increase for September and October.

The truth of the matter is that the copper industry, like the oil industry, is suffering from over-production. October's refinery output of 230,000,000 lbs., the largest month on record, tells the story. While the post-war consumption has been greater than even the most optimistic dared to expect, it has not been sufficient to overtake the tremendously increased copper output. Copper consumption can always be depended upon to eventually overtake production, but the process is a slow one and there appears to be no good prospects, for much higher copper prices for some months to come—unless, of course, the producers take the situation in hand by curtailing production as they did once before.

Reasons for the present great production are not far to seek. In the last decade the porphyries and low-grade producers have come to be the dominating factors in the production situation. The essence of success of low-grade production is large outturn which makes possible low production costs. Chile Copper presents a typical example. In 1916, when the company turned out less than 43,000,000 lbs. of the red metal its production costs were nearly 19c a lb., while in 1922, when outturn totaled more than 134,000,000 lbs., costs were around 9c a lb. Increased production is not the entire story of Chile's lower costs, but it is by far the most important single factor.

Informed copper interests, while they admit the conclusions as outlined in the foregoing, take the stand that in the copper cycle it is always darkest just before dawn and the history of the industry bears this out. Having come close to the irreducible minimum in prices, it is reasonable to conclude that the next important movement will be on the upward side. It is equally true, in speaking of fundamental commodities, that what goes down will go up, as it is that what goes up will go down. While it is not clear what factors will bring about that happy event in copper, the belief that it will occur, is as strong as faith.

Since the matter of copper costs is vital in a period like the present when metal prices are low, the purpose of this article is to consider the position of the important low-cost producers.

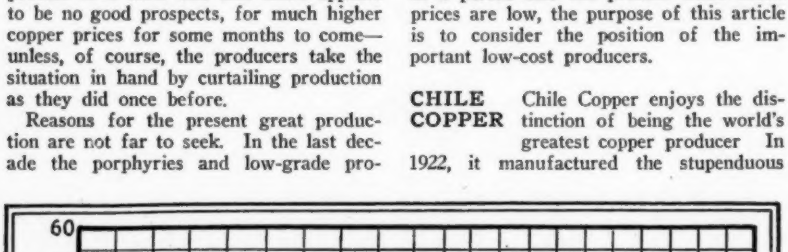
CHILE COPPER Chile Copper enjoys the distinction of being the world's greatest copper producer In 1922, it manufactured the stupenduous total of 124,500,000 lbs. of copper at a cost of approximately 9c a lb. When the company declared its initial dividend of 62½c a share on Feb. 28 of the current year, the event marked the culmination of ten years of development.

Chile was a rich man's proposition. Only the biggest kind of big capital could hope to accomplish the tremendous development work necessary to put the company on a dividend basis. The Guggenheim family owned 2,200,000 shares of the company's total of 3,800,000 shares outstanding, and in January of the current year it was announced that the Guggenheim holdings had been purchased by the Anaconda Copper Co. for $35 a share. This meant that the Guggenheim interests, having brought the property to a profitable basis, were willing to turn over its management to their former rivals at a profit of approximately $77,000,000.

The copper world regarded the sale as a step towards further stabilization of the copper market, for Chile's enormous output had been one of the chief unsettling factors in the copper situation.

Chile Copper, which is a holding company, has $35,000,000 collateral trust 6% convertible bonds outstanding due April 1, 1932, and $109,776,500 par value of capital stock, par $25. The company began producing in 1915 with the modest outturn of 9,580,000 lbs. and at the present time is producing at the rate of about 200,000,000 lbs. annually. This represents about the maximum of production without increasing mining facilities and the reduction plant.

It is essential to Chile's successful operation that it should maintain the greatest rate of production possible. That the company in the past has never earned its present dividend, has little bearing for the reason that it has been passing through an evolutionary stage. On the other hand, the stock cannot, by any stretch of the imagination, be regarded as a seasoned investment. That Anaconda was willing to pay $35 a share for control of Chile, is some indication of what is regarded as the real worth of the stock over a period of time, but, of course, other considerations aside from the matter of investment value, had their bearing on that transaction. **At present prices it yields better than 9% and is**



an attractive speculation for those who believe that the present low prices of copper are but temporary.

KENNECOTT COPPER This company represents another successful venture of big capital into the mining field. Incorporated in 1915, the primary object was to develop large copper deposits in Alaska of which the Kennecott and Beatson copper properties were the most important. The company is interested in the following companies through ownership of stock:

	Shares issued	Owned by Kennecott (Shares)	(Book value)
Alaska Development & Mineral Co......	500	500	$62,480
Braden Copper Mines Co...............	2,590,706	2,566,681	39,488,022
Copper Export Assoc., Inc.............	....	1	1
Copper River & Northwestern Ry. Co....	48,174	48,174	1
Utah Copper Co........................	1,624,490	616,504	42,062,201

In addition, the corporation owns $23,020,000 par value (entire issue) of the Copper River & Northwestern Railway Co. bonds.

Kennecott's purpose in acquiring control of Utah Copper and Braden Copper, was to round out Kennecott into a well balanced property with mines in Alaska, Chile and Utah. With operating properties in three widely separated localities it would be impossible for strikes, difficulties in transportation and the like, to adversely affect all of the company's operations at the same time. Kennecott has, through its own output and that of its subsidiaries, a potential output of 600,000,000 lbs. annually at a cost for this tonnage the lowest in the world.

Braden Earnings

Kennecott was a big earner during the war period, but since that time its annual income statements have not been impressive. President Birch stated at the annual meeting of the stockholders, however, that the profits from Braden Copper's operations alone were sufficient to pay Kennecott's dividends as at present without earnings from any other source, and that Kennecott's earnings with pro rata from holdings in affiliated companies were more than twice the present dividend rate.

Kennecott yields 9% on its present market price and marketwise is in the same position as Chile Copper. An improved copper market would mean much larger earnings and consequently higher prices for the stock. Like Chile, the stock has recovered from the low price for the year, though is still below the high. The issue should be bought not for a quick turn but for a long pull.

CERRO DE PASCO Although the stock of the Cerro de Pasco Copper Corporation was not listed on the New York Stock Exchange until February 1917, the company had been operating for many years under the control of the Haggin interests. It has $3,866,000 10-year 8% bonds due January 1, 1931, and 1,240,000 shares of no par stock, of which 1,007,462 shares are outstanding. The bonds are convertible into stock any time up to their due-date at the rate of 30 shares of stock for each $1,000 principal amount of bonds.

Comparison of indicated earnings on the capital stock are uninstructive, because of the very large writings off for depreciation and depletion, presumably for tax purposes.

Owing to the high silver content of its ores, Cerro de Pasco can produce copper at around 8½c a lb., including all charges except depletion. It is, therefore, one of the lowest cost producers. Producing in the neighborhood of 10,000,000 lbs. a month, the company can earn sufficient to pay its present dividends of $4 per share, even though copper were selling at 12c a lb. The company dividend record follows:

1916..................	$4.00
1917..................	[1] 5.75
1918..................	[2] 5.00
1919–20...............	4.00
1921..................	[3] .50
1922..................	....
1923..................	[4] 4.00

[1] $1.75 extra.
[2] $1.00 extra.
[3] Dividend passed May 11, 1921.
[4] Dividend resumed April 10, 1923.

This stock may be regarded as one of the most attractive of the low-cost producers if held for a pull.

MIAMI COPPER With no bonds and only $3,735,570 par value outstanding of the $4,000,000 stock authorized (par $5), Miami Copper is in as snug a position as any of the producers of copper. Its modest capitalization has always allowed the stock to sell several times above par and its low production costs allow it to show a satisfactory profit when many other producers are using red ink in making up their income statements.

The company is strictly a Lewisohn affair, Adolph Lewisohn having been the president since organization in 1907 and Sam A. Lewisohn treasurer.

Miami was one of the first flight of porphyry coppers and produces between 60,000,000 and 70,000,000 lbs. annually, at a cost before depreciation and depletion, of between 6c and 7c a lb. Including the two latter items brings Miami's costs up to about 9½c a lb. for last year. As the average price it obtained for its metal in 1922 was 13.8c a lb. the company was able to show a balance of approximately $2,500,000 before depreciation and depletion.

In the old days when the mining companies were not so meticulous about the matter of depletion and, incidentally, when the subject of taxes was not of overweening importance, that balance would have been equivalent to about $3.15 a share on Miami's outstanding stock. As it was, the company showed a profit and loss deficit for the year of $1,690,000, but the board of directors saw no reason to reduce the $2 annual dividend rate. Miami is one of the few copper companies which has not found it necessary to pass its dividend during the last decade as the following shows:

Year	Divs. Paid
1912..................	$1.50
1913..................	2.00
1914..................	1.50
1915..................	2.25
1916..................	5.75
1917..................	8.75
1918..................	4.50
1919..................	2.50
1920..................	2.00
1921..................	2.00
1922..................	2.00

For this reason, perhaps, Miami's stock sells on slightly less than a 9% basis. Miami has ore reserves of approximately 6,756,000 tons of high-grade ore, averaging 2.26% copper, 6,000,000 tons of mixed sulphide and oxidized ore, averaging 2% copper and 36,000,000 tons of low-grade ore, averaging 1.06% copper.

The stock may be bought with confidence as a specvestment.

NEVADA CONSOLIDATED Although by no means the largest, Nevada Consolidated is the oldest of the porphyry coppers, having been incorporated in 1904. At that time it was estimated the life of the property would be about 20 years. The twenty-year period will be ended next year, but Nevada's life on proved ore bodies at the present time, is estimated at not less than 14 more years. Nevada has $10,000,000 stock, par $5, all of which is outstanding. Utah Copper owns 51% of Nevada Consolidated stock. There is no funded debt. After all charges, including depreciation, Nevada Consolidated manufactures its copper under present conditions at a cost of between 10c and 11c a lb.

War Record

During the war period, Nevada Consolidated made large profits in common with the other producers, but in 1921 its total income before deductions, such as depreciation, shut-down expenses, etc., was only $50,524 as compared with $15,435,000 for 1916. For the last two years, the company has shown annual deficits of $1,633,000 and $1,124,000 for 1921 and 1922, respectively. In the fourth quarter of last year, however, Nevada began to pick up. For the three months ended December 31, 1922, it showed a surplus of $417,000 against a deficit of $124,278 for the preceding quarter and followed that by surpluses of $544,222 and $963,036 for the next two quarters. These totals

(*Please turn to page* 188)

Prairie Oil & Gas Co. *Producers & Refiners Corp.*

Producers and Refiners Gets in Out of the Wet

Company Not in a Position to Withstand a Siege of Low Prices—Deal with Prairie Oil & Gas Doubtless a Disappointment to Producers' Stockholders—The Practical Alternative

By OLIVER P. JONES

ANNOUNCEMENT of the plan to exchange ten shares of Producers and Refiners common for one share of the capital stock of the Prairie Oil & Gas Co., must have come somewhat as a shock to the stockholders of the former company. Especially to those who do not follow the theory that the "tape tells the story," Producers and Refiners' decline of the common from a high this year of 58⅛ to 17⅛, a sheer drop of 34 points, told a different story from that of income statements and balance sheets. It was of course to be expected that this company would share in the depression in the oil industry, but the abnormal weakness of the common cannot be entirely explained by the oil situation.

The company's nine months statement for the period ended September 30, last showed $3.57 earned on the common or at the rate of more than $4.50 annually. Nevertheless, the directors deemed it advisable on August 24 to reduce the quarterly dividend rate from $1 to 50c. a share. Chairman Kistler stated that the directors believed the situation called for economies as well as conservation of resources, inasmuch as it might be necessary to store large stocks of crude oil and distressed refinery products of which the company at that time had no surplus.

In other words, the company had played in the sun while the sun was bright, paid liberal dividends and was apparently not in a position to carry its stocks when the price of its products called for such action. On May 31, 1921, the company showed a net working capital of $2,868,000 in round figures, and about nineteen months later, approximately the same amount.

The latest balance sheet as of September 30, last, shows a working capital of less than $1,000,000 and cash, which stood at $1,637,000 as of May 31, 1921, and $1,827,000 as of December 31, 1922, of only $593,563. In short, the conclusion seems that Producers and Refiners must have found itself pretty well spread out and that its deal with Prairie Oil & Gas was primarily to get in out of the wet.

To Whose Advantage?

Producers and Refiners' letter to its stockholders recommending the exchange of its stock for that of Prairie Oil & Gas, devotes seventeen lines to extolling Prairie Oil & Gas, but is disappointingly vague in the five lines which it devotes to indicating the advantages to its own stockholders of the merger. We quote those five lines herewith:

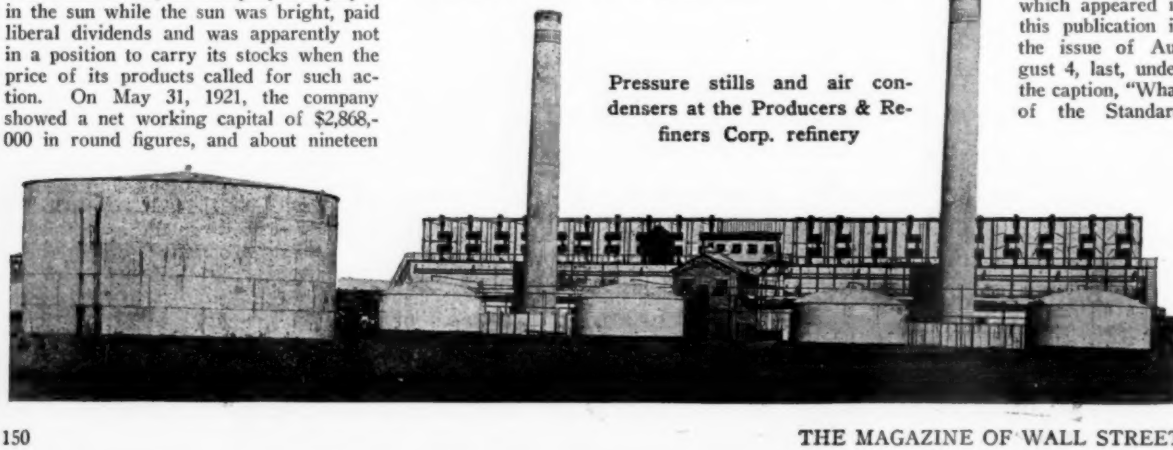
> "A consolidation of the activities of Producers and Refiners Corporation and Prairie Oil & Gas Co. would be mutually advantageous and very beneficial to the stockholders of both companies, particularly in view of the present depression in the oil industry, when reduction in operating costs and a strong position in liquid assets are absolutely essential to the success of any company engaged in this business."

A letter from our field oil expert dated October 3 and published in our issue of October 27 was more specific when it said:

"I see that 'Uncle John' (i.e. The Standard Oil) is commencing to gather the poor ones into the fold. . . .

I believe that we should change our opinion of Producers and Refiners. They have apparently overreached themselves in Wyoming and have taken on some contracts for delivery of crude far beyond their capacity to produce. I understand that these contracts are absolutely binding, and if so, they will cause Producers and Refiners to sustain quite a loss in fulfilling them. In addition, they have gotten in wrong with the Big Boys in Wyoming in not living up to their agreement as to pro-rating production in that territory, and this will not help them any in the long run. I also hear that they are very hard up for cash. Would recommend any one holding this stock to switch to some other more promising investment."

Supplement the foregoing with the following remarks which appeared in this publication in the issue of August 4, last, under the caption, "What of the Standard



Pressure stills and air condensers at the Producers & Refiners Corp. refinery

Correction

In our October 27 issue we printed the erroneous statement that Mr. Waite Phillips, brother of Frank Phillips, head of the Phillips Petroleum Co., had sold his properties to the Ohio Oil Co. for $5,000,000 cash. We are reliably informed that the properties mentioned constituted only a small part of Mr. Phillips' holdings, and that Mr. Phillips is still one of the largest as well as one of the wealthiest independent producers in the Mid-continent field.

Oils?" and one gets a very fair view of the present situation as betwixt Producers and Refiners and Prairie Oil & Gas:

"Through its strategical position in the mid-continent field and its more important strong financial position Prairie Oil & Gas is in a position to take advantage of the opportunities for shrewd buyers which always turn up in times of oil depressions like the present. The Standard Oil companies, like Russell Sage, always plan to be in funds when the other fellow is short. It is an excellent business principle which makes for long profits in the long run."

While Producers and Refiners undoubtedly made the best terms possible under the conditions, its position was that of seller and the position of Prairie Oil & Gas that of buyer. It is dollars to crullers, that the honors of the exchange lie with the latter company, as indicated by the fact that its stock at this writing is selling at 193 a share, which is approximately 40 points or a 26% advance from the low point of the year. In the week ended November 2, last (the letter to Producers and Refiners stockholders is dated November 1), Prairie Oil & Gas sold up 12½ points.

For ten shares paying $20 annually, based on current dividend rate, Producers and Refiners stockholders will receive one share of Prairie Oil & Gas paying $8 annually. On the other hand, if the merger is not ratified, it would seem to be obvious that Producers will have to greatly reduce, if not pass its dividends.

Producers and Refiners should find security in the Prairie Oil & Gas fold. The latter is an old-line Standard Oil company with one class of stock, no funded debt, plenty of cash and a huge surplus. It has $54,803,400 outstanding of its authorized capital stock issue of $60,000,000, par $100. It will require 37,689 shares of Prairie Oil & Gas to acquire 51% of the common stock of Producers and Refiners Corporation on the basis of one of the former to ten of the latter. This will leave 14,277 shares still in the treasury of Prairie Oil & Gas. If more than 51% of Producers common is deposited under the terms of the plan, Prairie has the option of accepting and exchanging for all or any part of such excess deposited stock, on the same basis, but could take only up to 519,660 shares of Producers' total of 739,017 shares without further increasing Prairie's capitalization.

Prairie Oil & Gas is recognized as the largest purchaser and marketer of crude oil in the Mid-Continent fields. At the time of its last statement net current assets totaled more than $88,000,000, and in this respect the company is one of the strongest in the country. It has paid out dividends of more than $50,000,000 in cash, $27,000,000 in property and $36,000,000 in its own stock, since May 15, 1911.

While it may prove a bitter pill for Producers' stockholders, who paid much higher prices for their common, to exchange on the ten for one basis, we are of the opinion that it will be more to their ultimate advantage to do so rather than to continue to hold their Producers & Refiners stock. The story of minority outstanding interests in mergers of this sort is not particularly encouraging. The only practical alternative is to sell Producers and Refiners common and reinvest in some other oil company not laboring under the same difficulties and which offers better prospects for the recouping of losses.

When Improvement in the Oil Industry Ultimately Materializes—

Which Will Be the Best Oil Stocks to Hold—

An Analysis of Current Prospects in the Industry

By S. D. WHITE

OIL stocks have had probably the severest decline, as a group, of any on the New York Stock Exchange. The severity of this decline can best be appreciated by comparing the high and low prices this year of some of the representative issues, as listed on the accompanying table. It will be seen, as for example in the case of Texas Company, that the decline at the lowest point was equivalent to about 38% of the market price at the highest point. Other issues have suffered in proportion. It is obvious therefore that oil issues have already greatly discounted the unfavorable conditions prevailing in the industry.

Improvement in Sight?

The question is now whether there are reasonable expectations of an improvement, in which case, it would be logical to anticipate an advance in the oil shares as part of the inevitable discounting process? In answer to this, readers are referred to the fact that strenuous efforts are being made to limit production in the respective fields, and, inasmuch as overproduction has been the main cause for the collapse of the industry, it is apparent that any beneficial changes in this direction must necessarily have, even though ultimately, a favorable effect on the entire industry.

When this anticipated improvement will come about, is not easy to predict at this time, but it is altogether likely that by next Spring, which will again initiate the customary heavy demand for gasoline, the principal refined product and practically the bulwark of the entire industry, demand will be large enough to take care of surplus stocks. In this event, we shall probably see the commencement of an advance in both crude and refined prices, though such action is not likely to be taken for a number of months.

Opportunities in the Sounder Issues and Conclusion

Altogether, it would appear that the more important changes to take place in the industry over the period of the next half year or so will be relatively favorable, in which case the better class of oil issues will share in an important advance. Inasmuch as many of these issues are now quoted at prices not far from the lowest they reached during the last decline, this probably marks a rather unusual opportunity for profitable investment.

The accompanying table includes the stocks of nine of the more prominent companies which are suggested for the careful consideration of specvestors.

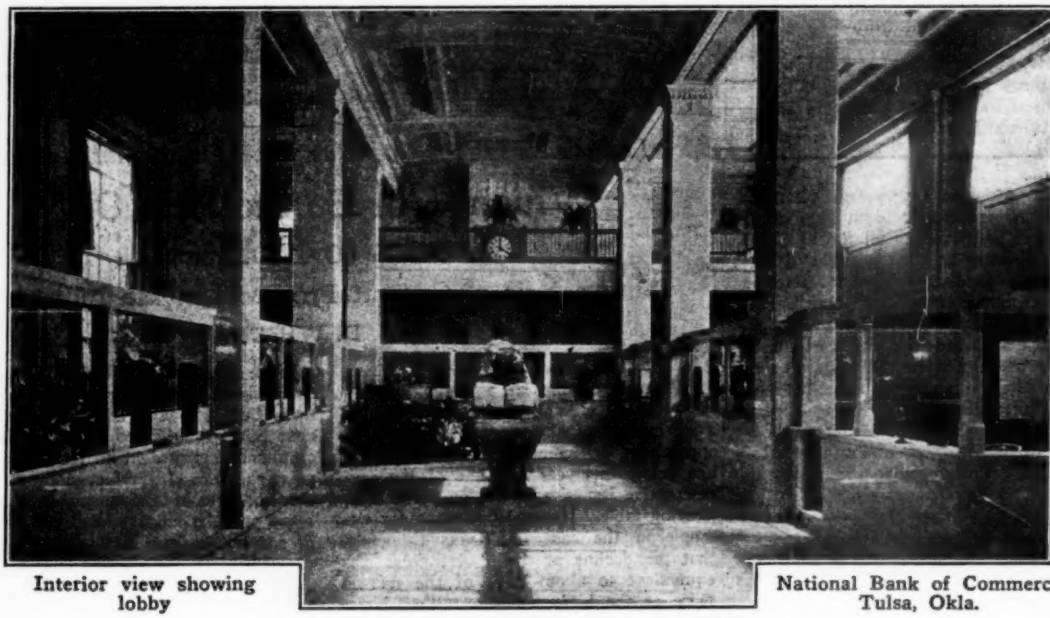
LEADERS AMONG THE OIL STOCKS

	1923 High	1923 Low	Recent Price	Div. Rate	Approx. Yield (%)
Standard of Cal.	64	47	54	$2.00	3.7
Standard of Indiana ...	69	49	56	2.50	4.4
Standard of N. J......	44	30	33	1.00	3.0
Associated Oil........	27	24	25	1.50	6.0
Pacific Oil...........	48	31	38	2.00	5.3
Pan-American (B).....	86	50	57	*8.00	14.0
Shell Union..........	19	12	15	1.00	6.0
Texas Co............	52	34	37	3.00	8.0
Tidewater Oil.........	144	94	101	....	....

* This issue is rather more speculative than the others, but even if the dividends were cut to $4 the stock would be attractive at these figures.

SERVICE · SECTION · OF · THE MAGAZINE OF WALL STREET

IN THE BANKING WORLD



Interior view showing lobby

National Bank of Commerce, Tulsa, Okla.

Conducted by

H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research He Developed the Board's Present National System of Financial Reporting

How a Well-Managed Bank Invests Its Funds

An Analysis of an Actual Portfolio

By H. PARKER WILLIS

ONE of the main problems that has to be steadily met by the smaller banks of the country, whether in cities or in towns and villages, concerns the permanent and steady investment of spare cash. Time was when the smaller banks were disposed to keep their liquid assets in the form of cash on deposit with city banks on interest, or to put them out in the stock market in the belief that only in these ways could the institution be sure of ability to protect itself in case of necessity. Conditions have radically changed in this regard in recent years, for several reasons. As a result, the small bank finds it wise policy to keep its funds closely invested and to rely on other methods of maintaining "liquidity."

Change in Market Conditions

Among the changes in conditions which have thus led to a modification of banking policy are to be mentioned, first of all, the organization of the Federal Reserve System which now assures a well-managed bank of the ability to convert its assets into cash or "reserve money" whenever it sees fit. This is undoubtedly a great factor in convincing the small bank of the uneconomic policy of the older habit of carrying too much of its funds in the time loan market or on call.

Another factor which has tended in the same direction is the circumstance that call rates are now so much more moderate than in former years. This in itself is a reflex of the organization of the Federal Reserve System, since with proper central banking management, there is no reason why such rates should go to the exaggerated figures of several years ago. But this more moderate level of call rates diminishes the inducement to the small bank to put much of its funds out on call and implies that such a bank can

usually apply its funds more wisely through investment.

On the other hand, the great development of the investment market and the wide diversification of types of investment paper has opened a large field of desirable investment paper of all maturities and descriptions.

Advice as to Purchasing

Advice as to what to purchase is always available from those who have paper that they want to dispose of, and it is to be added that most of such advice is good *within its limitations.* The time has gone by when a dealer in paper or securities can afford to induce customers to purchase holdings that prove disappointing, much less those that inflict a loss upon him. Nevertheless, experience shows, better than any kind of advice can do, how funds are being used to advantage.

For the purpose of affording an illustrative example, which may serve to throw light upon the investment problem of the small or medium sized bank, data have been obtained with regard to the actual present portfolio of a bank whose funds have been applied with unusual care by its discount committee. The bank in question had a total of about $2,250,000 which it wished to keep engaged in funds other than direct customers' loans.

It first decided upon the general policy of dividing this sum more or less equally between stock market loans, holdings of commercial paper and actual bonds and notes. Because of the desirability of obtaining public deposits it determined to lay down as a sub-structure of its investment portfolio a sum of about $200,000 in Federal and state securities, purchasing these in such a way as to yield maximum rates of interest and at the same time to fall within the requirements which govern the protecting of public deposits.

This left in round numbers $2,000,000 or more of money to be used in the other directions already referred to; and after due deliberation it was divided up in such a way as to provide for about $700,000 to $750,000 of stock market loans with approximately equal amounts in commercial paper and bonds other than Government issues.

Stock Market Loans

Attention may first be given to the stock market loans of the bank. Choice, of course, is offered between call and time funds, but on the whole this bank has pursued a plan of putting not to exceed one-fourth of its stock market funds into call loans, while the balance is put out on time. It has followed the plan of confining its loans to any one brokerage house or borrower to a total of about $50,000, and it has made it a rule that so far as practicable these loans shall be secured by mixed collateral, including both railway shares and the best grade of industrials.

"Experience shows, better than any kind of advice can do, how bank funds are being used to advantage."

This article is based upon experience. Later articles along the same practical lines will be published in future issues.

While it has admitted some of the more speculative industrials to its list of collateral securities it has been disposed to discriminate against the less reliable of them and has thus kept down to a minimum such stocks as the oils and the more fluctuating of the industrial specialties. Its stock market loans are thus classifiable about as follows:

Call funds, in units of 50,000, supported by collateral of the types already outlined	$150,000
Time funds, in units of not over $50,000, supported by mixed collateral as already explained	600,000
Total.............	$750,000

The bank uses the call fund account as a means of putting current funds actively at work without delay reducing these loans as it has opportunity to purchase under favorable conditions the longer term investments to which attention will now be given, or to transfer the funds into the time section at a favorable rate.

Commercial Paper

In disposing of its cash available for the purchase of commercial paper, the bank has, of course, been desirous of getting the best return consistent with entire safety. It has, therefore, resorted to the plan of purchasing such paper from paper houses on a ten-day option. After receiving the paper it is carefully checked with a number of banks in order to ascertain the business credit of the maker, and if any unfavorable report is received the paper is returned to the house from which it is purchased with a request for substitution. The bank has not hesitated to purchase many notes made by the less known makers provided their status was satisfactory, while, on the other hand, it has not scrupled to turn down notes bearing famous names, whenever it had doubt as to the immediate liquidity of the obligation. In this way, it has built up a portfolio of which the following items are representative samples, purchasing these usually in units of $10,000 to $20,000 and thus spreading out its risk over a tolerably wide field.

The Holt Mfg. Co., Stockton, Calif.
Briggs-Weaver Machine Co., Dallas, Tex.
The Brown Co., Portland, Me.
J. I. Case Threshing Machine Co., Racine, Wisc.
Carleton Dry Goods Co., St. Louis, Mo.
John Schillito Co., Cincinnati, O.
Armour & Co., Chicago, Ill.
Butterick Publishing Co., New York City.
Libby, McNeill & Libby, Chicago, Ill.
Burnham, Stoepel & Co., Detroit, Mich.
Rubber & Celluloid Products Co., Newark, N. J.
M. E. Smith & Co., Omaha, Neb.
Supplee-Biddle Hardware Co., Philadelphia, Pa.
W. D. Hannan Shoe Co., New York City.
L. Erstein & Bro., New York City.
A. C. Lawrence Leather Co., Boston, Mass.
Marshall Wells Co., Duluth, Minn.
Haas Bros., Fabrics Corp., New York City.
Williamsport Wire Rope Co., Williamsport, Pa.
Winslow & Co., Boston, Mass.

These total holdings represent about $700,000.

Investment Holdings

The investment portfolio of the bank is a comparatively good-sized one including, as already noted, some $200,000 of Government securities and, in addition, about $600,000 of other bonds. The bank, having a considerable number of savings depositors who are receiving interest at current rates on their balances, finds it necessary to obtain a reasonable rate of return on its securities. It has, therefore, sought to purchase items which, while good, did (*Please turn to page* 187)

A RECAPITULATION
Of the Investment Portfolio of a Well-Managed Bank

Call Funds $150,000
In units of $50,000, supported by collateral as outlined in the text.

Time Funds $600,000
In units of not over $50,000, supported by mixed collateral, as explained.

Commercial Paper $700,000
Selected with view toward obtaining best return consistent with safety.

Investment Holdings $800,000
Including Government Securities of $200,000 and Other Bonds, $600,000.

A New Stage in the Branch Banking Controversy

Government Regulations Bring New Development Controversy Far From a Settlement

A NEW stage in the political development of the branch banking controversy has undoubtedly been brought to the front by the action of Controller Dawes in ruling that national banks may open what he calls "teller windows" under certain specified conditions. What this amounts to is indicated in the rules which have lately been issued by him, and which in general take the position that banks may establish additional "offices" in cities where other banks "are engaged in banking practices which make it necessary" for national banks to have additional offices to compete with them.

These offices are to be confined to the locality, i.e., city, town, or village, in which the parent bank is situated; and when established they are to engage only in certain limited lines of business, particularly the receipt of deposits and the payment of checks. Some additional requirements of a routine nature are imposed, but they are of relatively little importance.

Reserve Board Action

Only a few days after this action on the part of the Comptroller, supplementary action was taken by the Federal Reserve Board in a ruling to the effect that on and after February 1, 1924, state bank members would not be encouraged to remain in the Federal Reserve System if they were in the habit of maintaining branches outside of the corporate limits of the town or village in which they are situated. The result has been, therefore, that the action of the Board, taken in conjunction with that of the Comptroller, is practically tantamount to a general permission of branch banking within the Federal Reserve System provided (a) the state in which a bank is located permits branch banking insofar as relates to the establishment of offices within the town or city in which the parent office exists, and (b) the bank keeps to the city in which the parent office is situated.

Probably there has been no more far-reaching action in its effect upon banking competition since the Federal Reserve System was organized. There has been no previous issue which was so sharply contested as to call forth a public dissenting opinion like that which is now filed by Vice-Governor Platt on behalf of himself and several other members of the Board. The result has been to show that the Board is about as hopelessly "split" on branch banking as is Congress or the American Bankers Association itself.

The action taken undoubtedly foreshadows further proceedings in the Supreme Court and in all probability a controversy on the floor of Congress when that body assembles. Both to the country bank and to the city bank, and particularly to those city banks which, in a considerable number of states, have succeeded in establishing "strings" of branches outside of their own cities, is the action of fundamental importance.

Status of Issue

The present status of the branch bank issue has not been entirely settled by the new ruling. It will be remembered that Controller Crissinger was inclined to permit the practically unlimited establishment of branch offices in cities located within states which granted to their own banks the right to create branches, and he carried his policies so far as to allow a large New York national bank to undertake the placing of twelve such branches in Greater New York.

This policy led other national banks located in other places where state laws did not permit the creation of branches to inquire why they could not have the same powers as all other national banks, and to threaten suit if they should be debarred from the privilege of exercising functions which other national banks are permitted to exercise, merely because state institutions in those particular places had

(*Please turn to page* 184)

Full Text of Controller's Ruling

THE branch issue is of so much interest to banks from the practical standpoint, that the new regulations of the Controller governing the establishment of such branches are worth quotation in full as follows:

"1. Under the authority of the National Bank Act, as construed by the Attorney General in opinions rendered on May 11, 1911, and October 3, 1923, respectively, the Comptroller of the Currency will permit national banks, under the conditions hereinafter set forth, to establish one or more additional offices.

"2. A national bank will be permitted to establish such an office only in a city in which other banks are engaged in, and under existing law or regulation are permitted to engage de novo, in banking practices which make it necessary for the national bank in question to operate such an office in order effectively to conduct its banking business.

"3. National banks will be permitted to establish such offices only within the limits of the city, town, or village named in its organization certificates as the place where its operations of discount and deposit are to be carried on.

"4. A national bank desiring to establish and to operate one or more additional offices shall make application therefor to the Comptroller of the Currency on a form prescribed or approved by him in which shall be set forth, among other things, the following:

"(A) The number of offices and the proposed street location or vicinity of each.

"(B) A statement of the condition of the applying banks as of the date of application.

"(C) The number of banks with branches or additional offices in operation in said city.

"(D) A statement of the facts and conditions, which in the opinion of the Board of Directors make it necessary for the applying bank to establish the proposed office or offices.

"5. Each application for one or more additional offices shall be accompanied by a certified copy of a resolution of the board of directors, showing that such application has been submitted to and approved by the board.

"6. After the Comptroller has approved the application of a national bank for one or more additional offices and before such office or offices are opened for business, a statement shall be transmitted to the Comptroller, showing the street location, the purchase price paid, the annual rental cost and the cost of equipment for each such office.

"7. Operations of additional offices of national banks established under these regulations shall be confined to the receipt of deposits and the payment of checks, and other such routine or administrative functions.

"8. No investment in bonds or other securities for the account of the bank shall be made at any such additional office.

"9. No loan or discount shall be made to any customer of the bank through any such additional office that has not been authorized at the banking house by a resolution of the board of directors, or by an appropriate committee of such board, or by an officer or officers acting under authority from such board, and no general authority issued by the board of directors shall vest in any officer or employee at such additional office any discretionary authority with reference to making such loans or discounts.

"10. A statement of the business conducted at such offices shall be transmitted to the banking house as of the close of business daily, shall be incorporated on the books at the banking house at regular intervals, and shall enter into all statements of the condition of the bank."

The Bankers' Part in Financing the Automobile Business

A Description of Some of the Methods by Which Cars Are Sold on Credit — Precautions the Banker Should Not Fail to Take

THE question of financing the automobile business is a subject which necessarily receives an increasing degree of attention as the trade itself assumes larger and larger proportions.

During the year 1923, it is estimated, the output of automobiles of all classes will be about 4,000,000, while the value of the output is probably not less than an average of $750 per machine. In these circumstances, it would stand to reason that a very great demand would be brought to bear upon the banks for credit in financing the business, even if the industry were on a cash basis. It is not on a cash basis, however, and is not likely to be so, inasmuch as an article costing as much as an automobile or truck, if as widely distributed as motor machines are in the United States, must necessarily be sold largely on a credit basis. Hence the development of so-called "automobile financing" and the practices that have developed out of it.

The industry has worked out different sets of practices relating to passenger machines, motor trucks and automobile accessories, and different methods of dealing with these branches of the industry are now in vogue.

Financing Passenger Cars

The passenger automobile may be considered first from the standpoint of the manufacturer. It is the practice of most producers to divide the country up into districts or regions, establishing branch houses and naming representatives in each. When he sells his machine to the dealer in each such district or to the manager of a "branch" (who is often financially independent of him), he ordinarily asks for acceptance of a draft or payment of a sight draft to which is attached bill of lading, covering one or more machines.

In the case of "drive away" cars, payment must be made in cash before the machine is taken out of the factory. Where the machine has been shipped the draft may be drawn upon a general branch manager or distributing agent who has charge of a given territory, and he may reship to a dealer, drawing upon the latter. This means that the local dealer or distributor must provide himself with the means of meeting a draft which is either drawn at sight or on relatively short time.

In order to bring this financing to a satisfactory basis, manufacturers sometimes make arrangements with local banks, whereby a separate document covering each car is prepared, and the local distributor signs the note relating to each car and protected by a document which, in such cases, is usually a "trust receipt." Then the local bank discounts the entire draft giving the manufacturer cash while it places in its own portfolio the notes covering the separate cars. These are taken up as fast as the cars are sold and this means that during the dull season, especially in midwinter, the bank may have to carry the notes for several months. During this time, its protection is found in the credit of the dealer with the machines as collateral except where a contingent liability has been assumed by the manufacturer.

THE AMAZING NUMBER OF CARS

—Owned by the people of America, is an old story to us all. Equally striking, perhaps, is the percentage of cases in which sales are made on credit terms. An analysis of credit sales is offered in the accompanying thorough-going article.

In some cases, the automobiles on arriving at destination, are warehoused and the "document" already referred to as collateraling, the note is then a warehouse receipt rather than a trust receipt.

Financing the Consumer

The dealer now has the problem of selling his car to the consumer and financing the latter. In most cases, the sale is made on the basis of an instalment plan system of transfer, very similar to that employed in other branches. Probably from one half to two-thirds of the lower-priced automobiles are sold on such an instalment basis, and the procedure is about as follows:

(1) The buyer or consumer is required to make a cash payment to start with. In conservative financing, this should be not less than 20 to 25 per cent of the purchase price, and in some cases it may run up to double that.

(2) The next step is to arrange for the "spreading out" of partial payments covering the remaining 80 per cent, or less, of the purchase price over a series of payment periods. The period of instalment payments is usually 30 days, but may be in some cases double that, while the total length of credit extended is based on the presumed life of the car. As a rule, the maximum length of credit allowed is about a year, although in some cases this may run to fifteen months; and in other cases it is kept down to six or eight months. Thus, for example, a purchaser of a $1,000 automobile must have from $200 to $250, and must arrange to pay $800 to $750 in, say, eight instalments of equal amount, the maximum thus being $100 per month.

(3) In order to protect the dealer during the time that the consumer is paying for his machine, it is usual to require a chattel mortgage covering the machine, which allows the dealer to take back the car on any payment date when money is not forthcoming — past payments being then forfeited or settled on some agreed basis at a discount. This makes a series of notes with an underlying chattel mortgage protecting the whole and remaining in force until the last is paid. Some companies prefer to use a form of lease in which the instalment payments are on the basis of rental, and the final payment constitutes a definite settlement for the balance of liability on the machine. Other modifications of the lease idea are sometimes employed.

(*Please turn to page* 189)

How Much Interest Should a Bank Pay?*

An Element of Costs that Is Often Neglected—Factors Which Determine the Sum to Be Paid

PRACTICAL experience in the management of banking within the past few years has shown that competition in the payment of interest on deposits is one of the most dangerous and costly forms of contest in which banks can indulge. The result of this recognition has been to bring about a fairly positive understanding between banks in a good many places both with respect to the subject of minimum balances and with respect to that of rates of interest on deposits.

How far the bank ought to go in thus conciliating custom is a serious question, one which became so acute in New York City itself during the war that the Federal Reserve Board was obliged to step in and arbitrate the matter. It then eventually brought about an agreement among the Clearing House banks, whereby they agreed to regulate their rates of interest on the balances carried with them by country banks, according to a scale which was fixed as a per cent of the rate on ninety day paper, established by the Federal Reserve Bank of New York. Allowances of interest to individual customers were not so strictly regulated; but the system of control was there all the same, and present practice makes these rates bear a distinct relationship to the basic schedule of rates on country bank deposits.

Practice of Interest Payment

The actual problem that interests the small or medium bank, however, is not the basis of payment established by the larger banks of the cities in their relationship to the general financial and banking community, on the contrary, it is a business problem. In this light, it is subdivisible, however, into a number of different branches. The simplest one is seen in the case of the savings account, or certificate of deposit bearing interest.

With reference to the savings account the commercial bank finds it necessary to guide itself by the practice of savings banks, otherwise it will lose to the latter the savings of all those persons who are influenced by the rate of interest—or in other words practically all of them. In the Eastern cities, competition for savings accounts has thus brought it about that a general rate of 4% on savings is widely accepted, although there is still a fair margin of competition due to the fact that banks vary among themselves as to the date from which they will compute interest, the terms on which they will compound it, and the basis upon which they will allow withdrawal of deposits without forfeiture of interest.

Let us suppose, however, that a depositor puts his funds into the savings department of the bank upon the precise date from which interest is reckoned and withdraws them exactly six months later, so that questions of date of deposit and of withdrawal do not figure. The depositor gets a flat 4% (we will say, omitting all questions of compounding) and the bank has the money for its use. These funds require only a reserve of 3% from member banks of the Federal Reserve System, which means that for every $100 of deposits received $3 must be set aside in the reserve bank without interest, leaving $97 "at work," and on this sum a minimum of $4 must be earned each year in order to pay the expenses involved in paying interest to depositors.

The cost of conducting savings accounts is very much less than that involved in the management of commercial accounts, but can hardly be figured as less than 1% which means that, in order to protect itself, the bank must earn slightly over $5 on every $97 it takes in as savings. This signifies that the institution is under the necessity of investing in bonds or notes that will not always be of the highest class if it expects to make any money, or else that it must use the funds so left with it as a reserve basis upon which to support commercial loans.

Interest on Commercial Accounts

The situation becomes a good deal more complex when the problem of interest on commercial accounts comes up. General custom in a good many cities requires a depositor to carry a $200 balance, while above that figure the bank refuses any allowance for interest up to about $1,000. From $1,000 on, a figure of 2% to 2½% is named for the sums held above $1,000. This makes it evident that in the ordinary bank, which adheres strictly to these rules, there will be a basic minimum of deposits which bear no interest.

Let us take the case of a bank with 2,000 commercial deposit accounts and a total of about $3,000,000 in deposits. It is plain that the bank may expect to have $400,000 entirely free of any interest charge, or what is the same thing, it may expect that when the balance drops below a $200 minimum, a charge will be made to the depositor equivalent to about $1 per month or $12 per annum, the equivalent of 6% on $200. Now, suppose that this bank finds that its depositors are carrying an average of about $1,500, balance which is what they would have if the total of deposits was $3,000,000. In this case, it is plain to see that there would be 2,000 multiplied by $500 or $1,000,000 subject to an interest charge of 2%. This bank then with 2,000 depositors and $3,000,000 of deposits would be paying total interest on its commercial accounts amounting to about $20,000.

The figures as to numbers of depositors of average balances above given are taken from the experience of an actual bank, but in this bank it has been found that the average annual interest payment runs up above $20,000 because of the fact that a good many of the accounts are above $1,500 while others are between $200 and $1,000, the result being that more than an average of $500 per depositor is subject to interest. As a matter of fact, this bank has to pay out nearer $40,000 than $20,000 per annum, but a part of the sum so paid is a 4% rate on savings or time deposits, so that its commercial interest payment may be figured as something like $2,500 per month or $30,000 per annum. This figure, it will be observed, represents approximately 1% upon a total deposit line of $3,000,000 and must of course be reckoned as an addition to the running or overhead expenses which have been analyzed in a former article. It was there shown that such running expenses might be computed as $3 to $4 per $100 of deposits. If 1% be added for interest, the total cost would be from $4 to $5 per $100 of deposits.

This is perhaps not very far from the general average situation in banks of about that size, the tendency being to increase the interest charge as deposits grow, because the older and more prosperous a bank becomes the greater a number of accounts with con- *(Please turn to page 180)*

Competition in the payment of interest on deposits is one of the most dangerous and costly forms in which a bank can indulge.

How far the bank ought to go in conciliating custom is a serious question.

This article discusses the Interest Problem from a scientific and practical point of view. It continues the discussion of Banking Costs begun in a previous issue.

*** Editor's Note: This article continues the discussion of banking costs begun in a former issue.**

Attractive Common Stocks

A LIST OF COMMON STOCKS RETURNING AN AVERAGE OF 8.2% ON THE INVESTMENT

I NOTE that you are now of the opinion that the stock market will probably rise to higher levels. I have in mind purchasing a few dividend-paying common stocks that will give me a good return and that have not as yet had a spectacular advance. What do you suggest?—S. T., Youngstown, Pa.

The list of common stocks given below at present market prices yield 8.2% on the average and we believe that they have good prospects of showing appreciation in value. The financial position of these companies and their earning power apparently justify a continued payment of the present rate of dividends, and in the case of some of them, we believe there are good prospects for more liberal payments in the future. American Steel Foundries, Cluett Peabody and White Motors are earning their dividends three times over and if conditions continue favorable for these companies, stockholders may receive higher dividends. The list follows:

	1923 Price Range High	1923 Price Range Low	Present Price	Div.	Yie'd	1923 Estimated Earnings (Dollars Per Share)
Allis-Chalmers	51¼	37¾	41	4	9.7%	$5.50
Am. Steel Foundry.	40⅞	31⅜	36	3	8.3	10.00
Am. Tobacco B....	159¼	140	147	12	8.2	17.00
Cluett Peabody	76¼	60	67	5	7.5	16.00
Philadelphia Co....	50¼	41	44	4	9.1	7.00
Westinghouse Elect.	17⅛	52½	58	4	7.0	8.00
White Motor	60⅞	45	51	4	7.8	12.00

We suggest that you distribute your funds equally among the seven issues as common stocks such as these are more or less speculative and by diversification the element of risk is decidedly lessened.

VIVAUDAU

Earning Its Dividend

I recently bought 50 shares of Vivaudau at 18 and almost immediately it had a big break in price. Is there anything wrong with the company?—D. N., Rutherford, N. J.

The decline in Vivaudau stock was apparently due to unfavorable market conditions which resulted in forced liquidation of the stock. As far as the company is concerned, there, apparently, was no reason for the decline. The regular dividend of 50 cents has just been declared and we understand that earnings are holding up well and should show over $3 a share earned this year. The company is in sound financial condition.

TEXAS CO.

Good Long-Pull Possibilities

I have always considered Texas Co. to be a strong company, but the recent weakness in the stock and talk of new financing has somewhat shaken my confidence. Do you consider the stock all right to hold for the long pull? —T. M., Springfield, Mass.

Texas Company is a very strong organization and we consider the stock to be an attractive long-pull holding. As you perhaps know, conditions in the oil industry are very demoralized at the present time, and companies such as Texas are not making much money owing to the low prices prevailing for gasoline and crude oil. They are obliged to store large quantities which is a financial strain. It is quite likely, therefore, that Texas Company is in a position to use additional funds, and it may be that they will obtain this new money by offering stockholders the right to subscribe to additional shares at par of $25. This possibility has had a depressing effect on the stock. Ultimately, however, we believe that Texas Company will do very well. When the market for oil improves it will be able to sell its low cost oil at a good advance in price and make substantial profits. If you are willing to hold through any temporary decline, therefore, it is our opinion that ultimately you will be able to get a much better price for the stock.

COCA-COLA

Dividend Reasonably Secure

What is your opinion of Coca-Cola common stock?—A. L., Detroit, Mich.

We consider Coca-Cola stock to have good long-pull possibilities. This company's earnings should not be greatly affected by changes in the general business situation. It is true, that in 1921, they had a hard time of it, but this was due to the advance in the price of sugar against which they were not protected. However, the management now has in effect a sliding scale of prices with its bottlers based on the price of sugar, and is therefore well protected in this regard. We see no reason why the 7% dividend cannot be continued and we consider the stock to have good prospects.

AMERICAN ICE

Increased Manufacturing Facilities

Your opinion of American Ice common stock would be appreciated.—J. K., Yonkers, N. Y.

We consider American Ice to have good long-pull possibilities. In 1922, over 18% was earned on the stock. Earnings this year are not expected to be as large, in view of the unusually cool summer. However, they are expected to show the dividend earned with a comfortable margin to spare. American Ice has put many millions back into its property and now has manufacturing facilities sufficient to supply all the ice it needs and does not have to rely on the natural product. We consider its earning power as stabilized at a high rate and are optimistic in regard to the future. At the present time, we feel that the stock is in a good position to advance from current levels.

AMERICAN LINSEED

Helped by Tariff

Will American Linseed preferred pay a dividend soon? If not, will you kindly suggest a dividend paying stock that you think well of?—H. S., Danbury, Conn.

American Linseed in 1922 earned 4.72% on the preferred stock which compares with a deficit of $4.6 millions in 1921, and with earnings equivalent to 10.5% on the preferred in 1920. At the end of 1922, the company had bank loans and acceptances payable of around $8 millions. Earnings this year are understood to have

shown considerable improvement as the new tariff law removed linseed oil from the free list and imposed a duty of 3.3c per pound, which was of material benefit to the company. In June, however, the United States Government won its suit holding this company to be a combination in restraint of trade under the Sherman Act, and some readjustments of its business will probably be necessary. In view of the large bank loans, it does not appear likely to us that the preferred stock will pay dividends in the very near future, and we consider a better holding to be Martin-Parry paying $3 per share per annum and selling around 30. Martin-Parry is in strong financial condition and is earning its dividend with a wide margin to spare. By making this switch, you would be getting an immediate return on your money and have a stock which, we feel, has good prospects of appreciating in value.

COSDEN & CO.

Stock a Good Speculation

I am a holder of both common and preferred stock of Cosden & Co. and am somewhat uncertain as to the advisability of retaining them. Do you believe that the company will be able to come through the present depression in the oil industry without seriously impairing the position of the stockholders? Is new financing planned?—C. N. M., Philadelphia, Pa.

In our opinion, you are justified in continuing to hold your Cosden & Co. common and preferred stocks. Under anything like normal conditions in the oil industry, this company has a substantial earning power. Of course, at the present time, conditions are unfavorable and the company has large bank loans. Cosden & Co., however, has strong affiliations, and we feel that it will be well taken care of until the situation improves. Both common and preferred must be considered as speculative, but if you can afford to assume a certain amount of risk, we feel that ultimately these commitments should work out satisfactorily. It is possible that Cosden & Co. may do new financing, but there is nothing definite in regard to this at the present time.

FAMOUS PLAYERS

Will Earn Its Dividend

I am worried about the Famous Players stock that I am holding and would like to have your advice. What effect will cutting down production have and is it true that officials of the company have sold out their holdings?—R. N., San Francisco, Calif.

The immediate effect of shutting down of production of new pictures will be to increase the financial strength of Famous Players as it is now getting excellent returns from pictures already made. The management has estimated that for the full year of 1923 Famous Players will earn about the same as in 1922 when $14.72 a share was shown for the common stock. What the ultimate effect of shutting down production will mean for the company it is hard to forecast at this time. The management naturally hopes that it will have a beneficial effect on the industry and bring down costs. If this result is not brought about, however, and the company continues its policy of retrenchment, its earning power would naturally be affected. While officials of the company did not show on the company's books as holders of the stock, the management has definitely stated they are holding more shares at the present time than ever before, but that this stock is not in their names. The stock must be regarded as decidedly speculative but, as the regular dividend of 2% quarterly has just been declared and there is no reason to expect any very early reduction in this rate, we consider the stock to have rather good speculative possibilities.

D. W. GRIFFITH

High Costs Cut Earnings

When D. W. Griffith stock was first brought out several years ago I purchased a small

(Please turn to page 166)

Inquiries on Railroad Securities

ROCK ISLAND

Common Dividends Unlikely

Some time ago I was told to buy Rock Island common stock as it was going to pay dividends. I haven't seen any dividends yet, only lower prices for the stock. Do you think they can pay dividends soon? If not, kindly suggest a stock selling around the same price that in your opinion has good dividend prospects.—B. L., Milwaukee, Wis.

Chicago, Rock Island & Pacific common stock, in our opinion, is rather far removed from any possibility of dividends. For the first nine months of the current year, earnings were at the rate of about $2 a share on the common. A good switch for you would be Butterick Co., selling around 19. In the first six months this year this company earned $3.53 a share on the stock. It is now in a good financial position, and there appears to be an excellent chance for a reasonably early resumption of dividends. Since its incorporation, this company has never reported an operating loss and for several years before the war paid dividends at the rate of $3 per share per annum. Earnings are now larger than when dividends were being paid.

TEXAS PACIFIC

A Switch Suggested

Can you tell me what Texas & Pacific is earning on the common stock? I have a little of the stock but it does not do much. Is there any other railroad stock around this price that you like better?—H. F. E., Louisville, Ky.

Texas & Pacific for the first nine months this year reported earnings at the rate of $4 a share on the stock. While this is a fairly good showing, it is our opinion that Kansas City Southern common stock is a better holding. Earnings of this road have been at the rate of better than $5 a share on the common stock. It is selling around 17, about two points lower than Texas & Pacific.

LACKAWANNA

I see that Delaware, Lackawanna & Western stock has been strong and active recently. Does this mean a large extra dividend is coming?—J. L. M., Wilmington, Del.

Delaware, Lackawanna & Western is a very strong company, but earnings this year have hardly been good enough to warrant the payment of a large extra dividend. The first nine months' earnings were only at the rate of $6 a share on the common stock which is the company's present dividend rate. In view of the well-known conservatism of Lackawanna management we do not look for any extra dividend until a substantial improvement in earnings is shown. We consider New York Central, paying 7% and selling around 101, a better purchase at this time.

WESTERN PACIFIC

That Stock Dividend

Some time ago it was announced that a stock dividend would be paid on Western Pacific. When will this be done? I have 50 shares of the common stock.—D. L. R., Trenton, N. J.

Western Pacific management has stated that, when the reorganization of the Denver & Rio Grande is consummated, a 16⅔% dividend will be paid on the common and preferred stocks. It is expected that the reorganization plan of Denver & Rio Grande will finally go through although just when this will occur it is hard to say. Earnings of Western Pacific have been showing improvement and we consider the common stock at present levels to have attractive possibilities and advise you to retain it.

ST. PAUL

Earning Fixed Charges

Should I continue to hold St. Paul common? Although earnings are increasing, the stock acts poorly.—R. S. R., Portsmouth, N. H.

While St. Paul earnings have shown a substantial increase this year the road will not show much better than fixed charges earned. The common stock is preceded by a 7% preferred issue and is very far removed from any possibility of dividends. Our advice is to switch into Brooklyn Manhattan Transit selling around 11. This is the old reorganized B. R. T. System, and earnings for the past two years have been at the rate of $3 a share on this stock after deducting fixed charges and preferred dividend as now constituted. With traffic constantly increasing on the company's lines, larger earnings are possible in the future. At any

rate, we consider that the stock has better speculative possibilities than St. Paul common.

ERIE

Marked Improvement in Earnings

On the advice of my broker I have purchased 100 shares of Erie 1st preferred and 100 shares of the 2nd preferred stock. This commitment now shows me a good profit and I am uncertain as to whether it would be best to accept it or hold for a better price. What do you consider the chances for dividends on the preferred shares?—S. B., Englewood, N. J.

Erie has made a good showing this year, earnings so far having been at the rate of $3 a share on the common stock after allowing for preferred dividends. This compares with a deficit after fixed charges of $3.1 million in 1922. While this is a very encouraging showing for stockholders there is little chance, in our opinion, of favorable action in regard to preferred dividends in the near future. Erie is burdened with a heavy funded debt and its credit is not high. All surplus earnings for some time to come will probably be used to further strengthen the financial condition of the company. However, we consider both the 1st and 2nd preferred stocks to have good speculative possibilities at these levels, and our advice it to hold for higher prices. No dividends have been paid on the preferred stocks since 1907, but this did not prevent these stocks from having wide market swings. In every year from 1908 to 1917, inclusive, the 1st preferred stock sold well above 40, and in five years it crossed 50. With earnings showing so much improvement, a higher level for the stock under favorable market conditions appears justified.

New Security Offerings

ILLINOIS POWER & LIGHT 6s

Yield 6.1%

I have been advised to invest in Illinois Power & Light 1st mortgage 6% bonds. What is your opinion of this bond?—W. D. C., Boston, Mass.

Illinois Power & Light first and refunding 6s, Series A, due 1953, are secured by a direct mortgage or collateral lien on property appraised at a value in excess of the total debt and are a first lien on properties producing earnings in excess of interest charges. For the 12 months ended September 30, 1923, net earnings were over twice interest requirements on the total debt. The company owns electric power and light properties with an electric generating capacity of 256,000 h.p., and gas properties with a generating capacity of 18.5 million cubic feet of artificial gas a day. The business of the company includes service rendered to more than 300 municipalities in Illinois. The Deed of Trust provides that additional bonds may only be issued under conservative restrictions. For a long period of years, the principal companies constituting this system have steadily increased earning power and have paid dividends on the preferred stock without interruption. At the offered price of 98½ to yield 6.1% we consider these bonds to offer a good investment opportunity.

PROVINCE OF ALBERTA 5½s

Yield 5½%

Province of Alberta 5½% bonds now being offered at par have been suggested to me as an attractive gilt edge investment. Do you agree?—S. T. H., Springfield, Mass.

Province of Alberta, Canada, $9 million 5½% Refunding bonds, due 1933, are a direct obligation of the Province of Alberta and are payable, principal and interest, in gold in New York. The entire proceeds of these bonds will be used for refunding purposes. Alberta is one of Canada's foremost agricultural provinces. Wheat yield for 1923 is estimated at 175 million bushels, and total volume of agricultural products and live stock for the year 1923 will be over $225 million. Alberta is the largest coal-producing province in Canada and will mine between 6 and 7 million tons this year. We consider these bonds in the gilt-edge class.

DUTCH EAST INDIES 5½s

Direct External Obligation

I would like to have your opinion of the Dutch East Indies 5½% bonds 1953 which have been recently offered for sale at 90.—C. N. K., Flushing, N. Y.

Dutch East Indies $25 External 5½s, due 1953, are a direct external obligation of the Government of the Dutch East Indies. Principal and interest is payable in United States gold coin in New York. Sinking fund to retire issue of bonds by maturity starts in 1934. The Dutch East Indies, with an area of 735,000 square miles, has a population of over 50 million. The total amount required for interest and amortization of the country's entire debt, including present issue, for 1924 amounts to $34.6 million. Net income from the government-owned properties and monopolies for the five years 1918-1922 averaged $39 million, and for 1924 is estimated at over $50 million. The Dutch East Indies stand first in production of quinine, copra and spices, third in production of tin, rubber, coffee and cane sugar, fourth in production of petroleum and are important producers of tobacco, tea, rice, rattan, hemp and coal. At 90 to yield 6.24% to maturity we consider these bonds attractive as a business man's investment.

SOUTHERN RAILWAY

General Mortgage 6s

Would like to have your opinion of the new issue of Southern Railway 6% bonds due 1956. In view of the good earnings of this road it appears to me that these bonds would make a good investment.—H. R., Morristown, N. J.

Southern Railway $20 million development and general mortgage 6s, due 1956, are issued under the development and general mortgage dated 1906, and principal and interest at the rate of 4% is secured by the lien of that mortgage. The 2% additional interest is not secured by this mortgage, but in the Supplemental Indenture the company covenants that it will not create any new mortgage upon any part of the railways subject to the general mortgage unless such new mortgage shall secure the payment of the additional interest obligation equally with the indebtedness secured by such new mortgage. Net income for the past eight years has averaged about 1¾ times total interest charges, and for 1923 will amount to more than twice interest charges. Since the development and general mortgage was created in 1916, the company's capital expenditures on the property subject to the mortgage, have exceeded $145 million of which more than $50 million has been derived from surplus earnings. We rate these bonds as a good business man's investment. At the offered price of 96½ the yield is 6¼%.

AMERICAN TEL. & TEL. 5½s

Yield 5⅝%

Do you give the recent issue of American Telephone & Telegraph 5½% Debentures due 1943 a high rating? My investments are all in high-grade bonds and I am considering the purchase of a few of these if they qualify.—G. G., Bronxville, N. Y.

American Telephone & Telegraph $100 million 5½% Debentures, due 1943, are rated by us as high grade. During the past ten years, the company's net earnings have averaged 4½ times interest charges, and in no one year have they been less than 3½ times interest charges. In view of the stability of the company's earnings, these bonds are in a very strong position from an earnings standpoint. Total assets are carried on the books of the company at $1,223 million which compares with a total funded debt of $280 million. At the offered price of 98¼ these Debentures make an attractive investment of the conservative type.

SPECIAL REPORT DEPARTMENT

WE have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

WILL PUBLIC UTILITY OPERATING COSTS DECLINE?

(*Continued from page* 147)

away copper market, and that whatever advances may take place will affect them to only a moderate degree.

MINOR ITEMS Construction costs have come down from the peak reached earlier this year, but are expected to remain fairly stable at present levels. Oil prices, including gas oil, have been declining sharply for many months, and it is probable that far-seeing consumers among the utilities have either purchased or contracted for their requirements for some time ahead, in view of the unlikelihood of prices going much below present levels.

Summing up, we find that in comparison with the situation four months ago, when the most recent review of the public utilities' cost outlook appeared in these columns, copper prices have fallen sharply, coal prices have continued low, new financing has become somewhat cheaper, oil has declined considerably, and construction costs have declined.

The general impression conveyed by the recent price trend is that the costs of public utility operation should be unusually low during the next few months, in comparison with conditions for the past year, and that earnings should be correspondingly good.

SIX PREMIER COMMON STOCK INVESTMENTS

(*Continued from page* 132)

62.6 millions, and yet since organization in 1893 over 185 millions have been spent on plants and 104 millions carried to general reserves.

Perhaps in no other field has development been so rapid since the war as in the electrical equipment field. The radio craze has also added to earning power. During the war period many of public utilities were in no financial position to increase facilities. With the return of more normal credit conditions these companies have pushed their expansion programs. As a result, the big manufacturers of electrical equipment have benefited. At the same time the field has by no means fulfilled its possibilities.

In the first half of the current year, orders received by General Electric compared in actual value to the peak year of the company's history, which was 1920.

In the past ten years General Electric has earned an annual average of about 16% upon common stock, and this year will better that record. Funded debt takes on the average less than 1½ cents out of each dollar of income, and stockholders may reasonably estimate that about 10% of each dollar of income will be available for dividends and surpluses.

General Electric has been paying 8% cash dividends upon common stock since 1900, and in only one year since 1903 have net earnings fallen below dividend requirements, and this was in 1908. In addition, common stockholders receive annually a 5% stock dividend which is payable in the $10 par value 6% cumulative special stock, which stands somewhat in the position of a preferred issue. General Electric is acquiring Canadian General Electric, and in connection with this purchases may issue some 7% $50 par stock. The acquisition of the Canadian General Electric increases the earning base of the parent company.

General Electric shares have not sold below 100 in any year since 1907. The low was 109½ in 1921, and the highest 190⅝ in February, 1923. **It is perhaps significant that the highest price recorded was reached not in the war years, but in the current period; testifying to the increasing intrinsic value of the stock as a permanent commitment. In normal years, General Electric ought to earn at least $2 for every $1 paid in dividends.**

S. S. KRESGE COMPANY

In the Front Rank of Chain-Store Companies

ONE of the strongest features of the chain-store business is widespread popularity. The idea quickly caught public fancy. Public opinion has made the chain stores successful and is one of the greatest assets supporting their earning power.

The S. S. Kresge Company in the past seven years has come straight through to the front rank of chain-store companies and is now mentioned in the same class with the Woolworth Company, although the latter has many more stores and does a larger business.

At the present time the Kresge Company is operating between 215 and 220 stores, representing a growth from 85 in 1912. Gross business this year may reach 80 million dollars as against a little over 10 millions 11 years ago.

Sales per store in 1922 were over 300 thousand dollars and sales per store back in 1912 were about 110 thousand dollars. Net earnings per store in 1915, for example, were less than 10 thousand, while in 1922 they were over 30 thousand.

Back in 1912, on a common share capital of 5 millions, earnings were 11.51%, and in 1922 they were 35.50% on a common share capital of 18¾ millions. This brief synopsis of growth is given to show the tremendous development of earning power.

The stores of the company are located in the more important cities north of Richmond, Va., and east of Lincoln, Nebraska.

If the gross sales this year reach 80 millions, then the net earnings ought to be close to 8 million dollars, which would mean over 30% upon the 24.5 millions outstanding common stock, which now pays cash dividends at the rate of 8%.

Early in 1923, a dividend of 33⅓% was payable in common stock and the cash rate was raised to $8 a year. In short, a holder of 100 shares who was receiving yearly income of $700, now holds 133⅓ shares and receives a yearly income of $1,065. **In the past three years, the company has paid substantial stock dividends, thus capitalizing earning power, and it would seem that further developments along those lines are possible, and by that method the common shareholders be given the advantage of participating to a greater extent in increasing earnings.**

UNITED FRUIT

This Company Has Bananas—Also Sugar and Ships

SINCE the war transportation has had practically every experience but that of prosperity. United Fruit Company, however, is the exception, and this is largely because the company controls most of its traffic. The growth, shipment and distribution of bananas is still the backbone of the business. Investment in tropical lands and equipment is over 92 million dollars and 23 millions in steamships.

The fleet consists of ships having a total capacity of about 250 thousand gross tons. In order to facilitate transportation between fruit and sugar plantations to tidewater, the company owns 1,000 miles of railway in Central America and Cuba.

The great strength of United Fruit lies in its ability to bring the tropical fruit business to a point where stability is a feature. Of course, during the war huge surpluses were earned for the common stock and this was recognized to shareholders by declaring a stock dividend of 100% in 1921.

Capitalization consists of 100 million dollars capital stock, all of one class. There are no bonds, and the latest balance sheet fails to disclose current liabilities other than tax reserves. United Fruit is one of the large sugar producers in Cuba; grows its own sugar, ships its own sugar and refines its own sugar in its own refinery at Boston. By this method the speculative element is eliminated as far as it is possible to do so.

Since 1915, United Fruit has not failed in any one year to earn double figures on the oustanding capital stock. The current cash dividend rate is 8%, and last year an extra 2% was paid. The distribution of 10% means 10 million dollars, and the company has earned over this in every year of the last seven, and in the twelve months ending December 31, 1923, it is expected to earn over 20% on outstanding capitalization.

From time to time there have been rumors that United Fruit would capitalize surplus and earning power by declaring a stock dividend or by splitting up outstanding shares. The management is conservative, and, from an investment standpoint, it is perhaps more to the advantage of shareholders that capital base remains as it is now. If United Fruit cannot earn enough to pay at least 8% a year, then conditions would have to come to a much worse position than they have been for the past two or three years, and it is hard to imagine any company operating a large fleet of steamships having to undergo worse conditions than those existing for the past two or three years. **History shows that United Fruit stock has been an excellent purchase when signs have begun to appear of the end of a period of market uncertainty.**

·SERVICE·SECTION·

TRADE TENDENCIES

More Hopeful Spirit Prevails in Trade

Volume of Business Not Greatly Changed in Basic Industries but Retail and Wholesale Trade Increases

THE TREND IN MAJOR INDUSTRIES

STEEL—Production lower. U. S. Steel Unfilled Orders Decline. Prices Stabilized. New Orders About to Increase.

METALS—Price of copper advances for first time in months. Domestic inquiries increase. Lead firm on sound statistical position. Zinc position improved.

PETROLEUM—Prices of crude and gasolene in various sections reduced. Large stocks on hand mark situation. Some smaller companies absorbed. Industry generally in poor position with improvement probable in Spring.

RAILROADS—Large volume of traffic. Earnings reports favorable. Granger roads in greatly improved position.

COTTON—Prices close to top. Large yield and high average level of prices promote prosperity in South.

BUILDING—Volume of new construction at unusually high point, aided by favorable weather conditions.

SUMMARY: Conditions in industry are generally fair with some exceptions on either side. Profits are not as large as during early part of year and are not likely to increase materially in the near future. However, the end of the slump has probably been seen and slow improvement may be expected from this time on into the Spring months.

STEEL

Improvement Expected Soon

The United States Steel Corporation in its last report of unfilled orders as of Nov. 1, showed a decrease of roughly 350,000 tons which brought the total amount of unfilled orders as of that date down to 4,650,000 tons, the lowest since March 1922. This decline was greater than expected. Unquestionably the high rate of shipment as well as the loss in actual demand accounted for this poor showing.

Inquiries from railroads, Japan, building and automobile sources, however, are now changing the trend and the leading interest in its next report of unfilled orders will probably show that the turn has come.

The price situation is interesting in that no change is expected until the balance of the year and then, if demand increases, some concessions will probably be made in order to stimulate demand to a point where it will provide the mills with a comfortable backlog of orders. At such a point, prices would be increased.

To speak of lowering prices at this time is to ignore the fact that the margin of profit is already so low, as a result of the change to the 8-hour day, that a further reduction of the margin would place steel makers in a most uncomfortable position. This they are naturally anxious to avoid and undoubtedly will be able to find some way of holding their position.

METALS

Prices Much Stronger

Copper prices rose to 13½ cents, an advance of a full cent per pound, in the past two weeks. It is expected that copper metal will sell at above 13 cents for the balance of the year.

Buying has recently been of a substantial character, and unless prices are advanced too rapidly, it is likely that demand will hold at least at present proportions. It must be remembered, however, that in its long decline from 17½ cents, the red metal has had a number of small rallies only to be followed by a resumption of the decline, so that too much importance should not be attached to the present rise.

The leading interest has advanced lead prices to 6.85 cents, New York, with 7 cents asked in outside quarters. Surplus stocks of lead are now very small and the statistical position of the commodity is regarded as sound.

Zinc prices are firm despite the increase in surplus stocks.

Generally speaking, the position of the

(*Please turn to page* 184)

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	*Last
Steel (1)........	$46.25	$36.00	$41.25
Pig Iron (2)....	31.50	23.00	23.00
Copper (3).....	0.17½	0.12	0.13½
Petroleum (4)...	4.10	2.75	2.75
Coal (5)........	4.25	1.88	1.88
Cotton (6)......	0.34	0.22	0.32
Wheat (7)......	1.38	0.97	1.00
Corn (8).......	0.97	0.68	0.95
Hogs (9).......	0.08½	0.07¼	0.08¼
Steers (10).....	0.10¾	0.08¼	0.10¾
Coffee (11).....	0.13	0.10½	0.11
Rubber (12).....	0.37	0.25	0.28¼
Wool (13)......	0.58	0.54	0.54
Tobacco (14)...	0.24	0.18	0.24
Sugar (15)......	0.08½	0.05½	0.07¼
Sugar (16)......	0.10½	0.07	0.08⅞
Paper (17)......	0.04⅛	0.03¼	0.04

* Nov. 14.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

A RAILROAD EPIC OF THE FAR WEST

(*Continued from page* 119)

Route and largely financed its construction.

In 1915, the United States brought suit to cause the separation of the Central Pacific from the Southern Pacific, claiming that the former competed with the Sunset Route and hence the relationship constituted a violation of the Sherman Anti-Trust Act. The Circuit Court decided against the Government, but an appeal was carried to the Supreme Court. The latter reversed the decision and ordered the separation of the properties. This decree was handed down without considering the provisions of the Transportation Act of 1920, since the record in the case was closed before the latter legislation was enacted.

The Southern Pacific thereupon filed an application with the Interstate Commerce Commission asking that it be permitted to retain control of the Central Pacific pending the determination of a final plan of consolidation. That body decided in favor of this contention and the matter has now been definitely settled. The two properties are to remain intact and will continue to be operated as in the past as component parts of a single system.

The fact that the outcome of this controversy is no longer in doubt is of immense benefit to the roads concerned. They at last know where they stand and can proceed with their various development programs without fear of being disturbed by a subsequent Court order. The Southern Pacific has announced its intention of eventually double-tracking the Central Pacific line in order to enable the more efficient transportation of the freight moving over this road, which is the most direct transcontinental route.

Proposed Additions and Betterments

The expansion of traffic which was previously noted has required constant additions to railroad facilities. In the five years ending December 31, 1922, the Atchison added to its road and equipment account to the extent of 115 million dollars. It devoted this huge sum to constructing additional tracks, improving its roadbed, and purchasing new equipment. The whole of this has come from surplus revenues, for its capitalization has remained practically stationary. In recent years, few roads have been able to increase their property account in this fashion without incurring a larger funded debt. The Atchison's budget for 1923 provided for another $24,000,000 to be spent on the road's physical facilities.

The Southern Pacific and Union Pacific have been making similar expenditures. The former planned to spend some 64 million dollars this year for improvements, while the Union Pacific announced early in 1923 that it would spend upwards of 40 millions. That this group of railroads has a vast amount of faith in the further growth of the territory which they serve is amply demonstrated by the tremendous sums they are putting into their properties. They appear confident that the traffic of the future will prove the wisdom of this policy.

Having analyzed traffic conditions on these roads and the preparations they are making for still more business, we come to a discussion of the financial returns which they are securing. In 1922, total revenue per mile of road operated were almost double those of ten years ago. This is partly attributable to the increase in rates during the period, but the heavier traffic density is responsible to an equal degree.

Despite the high operating costs now prevailing, they have succeeded in reducing their operating ratio to a sufficiently low percentage of gross revenues to secure ample income to pay fixed charges and leave a satisfactory balance applicable to their stock issues. In 1922, each of these roads operated at a ratio in the neighborhood of 74%. This was not accomplished at the expense of maintenance and the road and equipment of each is in first class condition.

They are not able to operate at as low a percentage of gross revenues as in pre-war days when costs were lower. However, the increase in revenues which has not been counterbalanced by an appreciable addition to fixed charges, has made it possible to still secure large balances for their stock issues.

At the current rate of earnings Atchison is earning about $13 per share on its common stock and Southern Pacific about $11 per share. Each pays 6% and the dividend is well secured. Atchison's higher price is due to the belief that it is more likely to increase its rate sometime in the near future. Although easily able to do so its extremely conservative financial management may decide to put all surplus earnings back into the property rather than distribute a portion to its stockholders. Nevertheless, the stock is attractive for investment purposes and, for that matter, so is Southern Pacific, though not to the same degree.

The Union Pacific is supporting a higher dividend and its net income does not cover the 10% rate now being paid with the same margin of safety as in the two former cases. At its present price of 130, the yield is 7.70% thus reflecting somewhat less assurance of the permanence of the current rate. The company's outside income takes care of the greater part of its fixed charges. Obviously any substantial decline in operating income would render the present dividend less secure than at present. **The stock is rather less attractive than either Southern Pacific or Atchison from an investment viewpoint.**

The increase in traffic, which has been so noticeable during the past decade or more, is likely to continue. Indications point to a steady growth of manufacturing on the Pacific Coast. In many cases raw materials are shipped to the East and the finished product carried back across the continent thus adding heavy freight charges to the article. The building up of western manufacturing establishments is encouraged by the fact that this double long haul can in many cases be saved. The development of the territory would more than compensate the railroads for the loss of some of this long-haul business.

Taking a more immediate view of the situation it appears that traffic will suffer if the slump in business, which has been evident in most lines, goes on. However it would not have so disastrous an effect on the tonnage of these western lines as on those more dependent on coal traffic and manufactured products. The volume of agricultural commodities shipped would not decline as a result of less business activity. **The Southern transcontinental lines may be expected to maintain their earning power near the present level.**

WHAT—AND WHAT NOT—TO BUY IN THE PRESENT SECURITY SITUATION

(*Continued from page* 109)

mon stocks—those of a highly speculative character, consisting principally of non-divdend paying issues, and those, whether dividend-paying or not, of comparatively recent origin. The second class consists of sound issues of well-established corporations that have good dividend records and which should continue to share profits with stockholders for an indefinite period. In the first category should be placed such issues as most of the oils and other stocks of the type of Autoknitter, Orpheum Circuit, Davison Chemical and the like. In the second class would come such highly-regarded issues as Steel common, Westinghouse, General Electric, Otis Elevator, S. S. Kresge, Railway Steel-Spring and United Fruit. These issues, incidentally, are analyzed in a separate article on page 130.

The best results undoubtedly will be secured at this time by investing in common stock issues of substantial worth. The more speculative issues will probably be sympathetically affected by the upward movement, but they are notoriously uncertain and should be avoided by all except those in a position to stand a loss.

Summarizing briefly, we find that of bonds the best opportunities are in those of sound value yielding 6% and over; of preferred stocks, the best opportunities are in the medium-grade issues where yields of 7% or better can be secured, and, finally, of common stocks, the best and most satisfactory opportunities exist in those of the highest investment quality and that the sheerly speculative issues should be left alone except by those who understand the nature of the risk they are taking, and, more important, are in a position to take such risk.

Such are the prospects for the security markets at the present time. Whether or not this will be the position to take several months hence cannot now be forecasted, but at least it is clear that for the present there are many good opportunities for profitable investment.

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His Gift to Her—and the Family

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Millions of dollars are spent annually for family Christmas gifts. The purpose is to express good will and bring happiness to all.

How better can this be accomplished than by pooling the family Christmas fund and applying it on the purchase of a Chevrolet automobile?

Here, for example, is illustrated the Utility Coupe; an ideal all-year car for the small family, as is the Sedan for the larger family.

If open models are preferred there remain the Roadster and Touring.

There is nothing the modern family needs so much as economical transportation. A quality car like Chevrolet delights every member of the family and makes Christmas joys last for years.

Think it over, consult the wife, then arrange with the nearest Chevrolet dealer to make all the family happy by delivering your car on Christmas morning.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN

Division of General Motors Corporation

Five United States manufacturing plants, seven assembly plants and two Canadian plants give us the largest production capacity in the world for high-grade cars and make possible our low prices.

Prices f. o. b. Flint, Michigan

SUPERIOR Roadster	$490
SUPERIOR Touring	495
SUPERIOR Utility Coupe	640
SUPERIOR Sedan	795
SUPERIOR Commercial Chassis	395
SUPERIOR Light Delivery	495
Utility Express Truck Chassis	550

Dealers and Service Stations everywhere. Applications will be considered from high-grade dealers only, for territory not adequately covered.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale Nov. 14	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅛	90¼	111¼	75	108½	91¾	105⅛	94	97	6
Do. Pfd.	106¼	96	102⅝	75	95½	72	90⅝	86⅞	‡87	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	127	109⅞	113¼	7
Baltimore & Ohio	122¼	90⅛	96	88¼	60⅛	27⅛	59¾	40½	58½	5
Do. Pfd.	96	77¼	80	48¼	66¼	38½	60⅞	55¾	‡58½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	139¾	145⅛	10
Chesapeake & Ohio	92	51⅛	71	35⅛	79	46	76⅛	57	78	4
Ches. & Ohio Pfd.	..	..	..	..	105⅛	100⅛	104⅞	96	‡99⅛	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	16½	26⅛	11¼	14½	..
Do. Pfd.	181	130½	143	62½	76	29	45½	21	27½	..
Chicago & Northwestern	198⅛	123	136⅞	85	105	59	88	58½	61	5
Chicago, R. I. & Pacific	..	..	45⅜	16	50	22⅝	37⅞	19⅛	25⅛	..
Do. 7% Pfd.	..	..	94¾	44	105	64	95	72	84	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	85	60⅞	72	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	93¼	110½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	109⅞	118¼	6
Erie	61¼	33½	59½	18¾	21⅜	7	18¼	10⅛	18⅝	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	28⅜	15	28½	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	23¾	7⅛	21	10¾	22	..
Great Northern Pfd.	157⅞	115½	134¾	79⅛	100⅜	60	80	50⅝	57	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	101	‡102⅛	7
Kansas City Southern	50⅛	21⅜	35⅛	13½	28⅞	13	24⅞	15⅝	18¾	..
Do. Pfd.	75½	56	65½	40	59½	40	57¾	48⅝	53⅝	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	71⅛	54	61⅞	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	84¾	88½	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	9¾	11¼	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	24⅞	28⅜	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	8¼	11	..
Do. Pfd.	..	..	64⅞	37½	63¾	33⅛	49	22¼	28⅝	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64½	104⅛	90½	101½	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	79¾	67½	78½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	9⅝	14⅝	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅝	14¼	17	..
Norfolk & Western	119¼	84¼	147⅛	92⅜	125⅛	84¼	117⅝	100	106¼	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	49¾	54	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅛	40⅞	41¾	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	47¼	36	42	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	50⅝	33⅞	42½	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	68½	77	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	44	54	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56⅜	45	53½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	16¼	20	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	25½	31¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¼	84¼	87⅜	6
Southern Ry	34	18	36¾	12½	33¼	17⅛	37¾	24¾	36¼	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	63	66¾	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	14	21	..
Union Pacific	219	137¾	164¾	101¼	154¾	110	144⅞	124½	131⅛	10
Do. Pfd.	118½	79¾	86	69	80	61⅛	76½	70½	72	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	7½	10⅝	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	35¼	23¼	34	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	26½	16½	22⅛	..
Western Maryland	*56	*40	23	9¼	17⅛	8⅛	15	8	9⅞	..
Western Pacific	..	..	25½	11	40	13¾	20¼	12	14¼	..
Do. Pfd.	..	..	64	35	78	51⅛	63⅜	53	55¾	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	6	8	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82	67	‡68	5
Allied Chem.	..	..	..	..	91¾	34	80	59¼	65⅜	4
Do. Pfd.	..	..	..	..	115½	83	112	105¼	107½	7
Allis-Chalmers	10	7⅜	49⅜	6	59¾	26½	51¼	37¾	42	4
Do. Pfd.	43	40	92	32½	104	67½	97½	89½	91	7
Am. Agr. Chem.	63⅝	33½	106	47¼	113¾	26½	36⅞	10⅛	12⅜	..
Do. Pfd.	105	90	103½	89⅛	103	51	68⅞	28¼	37¼	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	25	‡35½	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	22⅞	32¾	..
Am. Can	47⅜	6⅞	68½	19¾	76½	21¾	106	73½	98⅞	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	106	109¼	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	159	148¼	163	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	117	‡121¼	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	3¾	6½	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	14	20⅝	..
Am. Express	300	94¾	140½	77½	175	76	143½	89	89½	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	13¾	6⅛	‡7¾	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	29¾	44⅞	..
Am. Ice	..	..	49	8⅞	122	37	111½	78	86	7
Am. International	..	..	62¾	12	132¼	21¼	33½	16	26¾	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	38	13	17⅞	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	75¼	64¾	72⅞	6
Do. Pfd.	122	75	100	93	122¼	96½	122	114½	118⅛	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	7	.50
Am. Ship & Com.	..	..	..	..	47½	4⅛	21⅜	10⅜	12⅛	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¼	89¼	29¼	69½	51¼	58⅛	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63¼	102⅛	93	96	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	31⅜	37½	3
Do. Pfd.	..	..	..	..	107	78	105¼	97⅞	101	7
Am. Sugar	136¾	99⅞	126¾	89⅛	148⅜	47⅜	85	48	54⅞	..
Do. Pfd.	133½	110	123½	106	119	67½	108¾	84	99	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	16	18¼	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	32½	‡40	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	128¼	92⅛	125½	119⅛	123⅝	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	140¼	147	12
Do. B	..	..	..	..	210	100⅛	105⅞	100¼	101⅛	6
Am. Woolen	40⅝	15	60⅞	12	169½	55½	109⅝	65	71½	7
Do. Pfd.	107¾	74	102	72½	111¼	88½	111⅞	96⅝	99¾	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	32⅜	38	3
Associated Dry Goods	..	..	28	10	68¾	48	89	62¼	79	4
Do. 1st Pfd.	..	..	75	50½	86	49⅞	89	62½	‡80	6
Do. 2nd Pfd.	..	..	49½	35	91½	38	93½	75	‡82	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	34	9¼	16¾	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	6¾	12½	..
Baldwin Loco.	60¾	36½	154½	26⅜	156¼	62¼	144¼	110½	123½	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	110	‡110	7
Bethlehem Steel B	*51⅜	*18¾	155½	59¾	112	41½	70	40¼	49⅞	5
Do. 7% Pfd.	80	47	186	68	108	87	97½	87	89½	7
Do. 8% Pfd.	..	..	110½	92½	116⅜	90	111¼	100¼	‡102	8
Burns Bros. A	45	41	161½	50	147	76	144¾	100	‡102	10
Do. B	..	..	..	..	53	43	43	21½	23⅛	2

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale Nov. 14	Div'd $ per Share
Calif. Packing	..	..	50	30	87½	48¼	87	77	‡81	6
Calif. Petro.	72½	16	42⅜	8	71⅞	15¾	29⅜	17⅛	21½	1¼
Calif. Petro. Pfd.	95½	45	81	29½	98½	63	110½	90½	‡92½	7
Central Leather	51¾	16½	123	25⅞	116½	22¼	40½	11⅝	13¼	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	79¾	33	30⅜	..
Cerro de Pasco	..	..	55	25	67½	23	50½	36½	41¾	4
Chandler Mot.	..	..	109⅞	56	141¼	38⅛	76	43	52	6
Chile Copper	..	..	39⅜	11¾	29¼	7⅜	30⅜	24⅛	27⅝	2½
Chino Copper	50⅜	6	74	31⅛	50⅞	16⅛	31⅞	14¾	17½	..
Coca Cola	..	..	..	..	83⅛	18	83⅜	65¼	72⅝	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	39¼	37¾	30¼	32⅞	2.00
Columbia Graph.	..	..	*166	*97	75¼	1¼	2⅞	⅛	⅛	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	15	‡16½	..
Con. Gas	*165¾	*114½	*150½	*112½	*145¾	*71¾	69⅝	56¾	58⅜	5
Corn Prod.	26½	7⅜	50½	7	134¾	46	139¼	114⅜	128¾	8¼
Do. Pfd.	98½	61	113½	58⅛	122¾	96	122⅜	115½	‡115½	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	84½	57½	64	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	20	8½	11¼	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23	29½	3
Endicott-Johnson	..	..	..	..	150	44	94¼	58⅞	65½	5
Do. Pfd.	..	..	..	..	110	84	118	109	‡111½	7
Famous Players	..	..	..	..	123	40	93	52	65	8
Do. Pfd.	..	..	..	..	107⅜	66	99¾	82	‡85	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	22	9½	11¼	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	54	23	31½	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	190⅛	167⅝	181	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	17½	12¾	14½	1.20
Do. 6% Pfd.	..	..	99½	72¾	95	63	89	79	‡80½	6
Do. 6% Deb.	..	..	..	..	94¾	60	90	78¾	‡81	6
Do. 7% Deb.	..	..	..	..	100	69	105	93¾	97	7
Goodrich	86½	15½	80½	19⅜	93⅜	26⅜	41⅛	17⅜	19½	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	92½	67¾	‡78	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	25	32	2
Houston Oil	25½	8¼	88	10	116½	40½	78	40¾	50⅛	..
Hudson Motors	..	..	..	..	26⅜	19½	32¼	20	25⅛	3
Hupp Motors	..	..	11⅜	2½	26¼	4⅝	29½	15¾	21	1
Inspiration	21⅝	13⅞	74¾	14¼	68⅞	28	43¾	23½	29	2
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¾	7⅛	11⅝	4⅞	‡8⅝	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	86	47	18⅛	‡34	..
Inter. Nickel	*227½	*135	57½	24½	33⅞	11⅛	16¼	10⅜	11¾	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	27⅞	33⅞	..
Invincible Oil	..	..	..	..	47¼	8½	19¼	7⅛	8⅝	..
Kelly Springfield	..	..	85⅛	36⅞	104	25½	62⅛	20½	25	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	108	90	‡74	8
Kennecott	..	..	64¼	25	43	14⅜	45	29⅜	34⅜	3
Keystone Tire	..	..	46½	11	126¾	4¾	11⅛	1⅝	3	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	74⅞	58¼	66½	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	14	17½	2
Loft, Inc.	..	..	..	..	28	7¾	11¾	6	‡6¼	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	20½	22¾	2
Middle States Oil	..	..	..	..	71¾	10	12¼	4¼	4⅜	..
Midvale Steel	..	..	98½	89½	62¼	22	33⅜	21½	26½	..
Nat'l Lead	91	42½	74⅝	44	129¼	63½	136¾	108	‡121	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	41	26⅝	38	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	15¼	‡18	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24¼	17½	22¼	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	42½	44⅞	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	31¼	37⅛	2
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	93½	53	55	8
Do. B	..	..	..	..	111¾	34⅛	86	50½	56¼	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41	43	4
Phillips Pet.	..	..	..	..	59¼	16	69⅝	19¾	23¼	2
Pierce Arrow	..	..	65	25	99	9¼	15¼	6¼	9⅜	..
Do. Pfd.	..	..	109	88	111	18⅞	72½	60	21½	8
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	67⅞	58	‡60¼	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	42½	‡45½	4
Do. Pfd.	112	88½	109⅛	69	106	83	99¾	80	86½	7
Punta Aleg. Sug.	..	..	51	29	120	24¾	69¼	41⅞	52½	1¼
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	32	16¼	17¼	1½
Ry. Steel Spg.	54½	22¼	78½	19	126¼	67	123	99½	‡106	8
Do. Pfd.	113⅜	96¼	105½	75	120	92½	121½	114½	106½	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	17¼	9⅞	12½	..
Replogle Steel	..	..	..	..	93½	18	31¾	8	9½	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¼	40⅛	45¼	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	96⅞	84¾	‡90	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	55⅛	40½	48½	3.46
Shell T. & T.	..	..	..	..	90¼	30⅞	41¼	29⅛	33½	2.03
Sinclair Con. Oil	..	..	67⅛	25¾	64¼	16½	39⅜	16	18	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	44¼	30⅞	32⅞	1
Do. Pfd.	..	..	..	..	120	100⅛	118¼	114¾	116⅞	7
Stromberg Carb.	..	..	45⅛	21	118¾	22⅛	94¼	59½	81	7
Studebaker	49½	15¾	195	20	151	87⅛	126⅜	93¾	102½	10
Do. Pfd.	98⅛	64½	119½	70	118¾	76	117	112	‡113¼	7
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6¼	12¾	8	‡9	1
Texas Co.	144	74½	243	112	57¾	29	52⅞	34⅝	38⅛	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	24¾	5½	6¾	..
Tobacco Prod.	145	100	82⅜	25	115	45	61½	46¾	56⅛	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	14½	1¼	2	..
United Fruit	208½	126½	173	105	224⅞	95¾	183	152½	‡172	8
Un. Retail Stores	..	..	..	..	119⅛	43½	84⅛	64⅜	‡64½	3½
U. S. Ind. Alco	57¼	24	171½	15	167	35⅛	73¼	40	59	..
U. S. Rubber	59½	27	80½	44	143¾	40½	64⅞	30⅝	34¼	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	76¾	82¾	8
U. S. Smelt. & R.	59	30⅜	81½	20	78⅛	26	43⅜	18⅜	23½	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109⅝	85½	93¾	5½
Do. Pfd.	131	102½	123	102	117½	104	123½	116⅛	119½	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	55½	63	4
Vanadium	..	..	..	..	97	25⅛	44⅝	24¾	29½	..
Va.-Caro. Ch.	70⅛	22	60¼	15	92½	20¼	27	6¼	8½	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¼	69	17	25⅛	..
Western Union	86¼	56	105½	53⅜	121¼	76	119½	101⅛	109⅞	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	38⅞	67⅛	52½	58¼	4
White Motors	..	..	60	30	86	29¼	60⅞	45	51	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	5	7¾	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¾	19	20⅛	..
Woolworth	177⅞	76⅛	151	81½	223	100	284½	199⅛	284½	8

* Old stock.
‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 158)

amount and it is now selling for only a fraction of the price I paid. Have you any recent information in regard to this company and is there any chance for the stock to come back? How will Famous Players' shut-down affect this company?—F. G., Brooklyn, N. Y.

D. W. Griffith, Inc., has suffered from the same trouble that has influenced Famous Players to shut down, that is, the high cost of producing pictures. D. W. Griffith pictures have been successful in that they have met with public favor, but the cost of producing them has eaten up all the profits. This company has not yet issued its report for the year ended June 30th, 1923. For the year ended June 30th, 1922, in spite of gross income of nearly $2,500,000, a final deficit of $170,349 was reported after deducting amortization. The balance sheet as of June 30th, 1922, showed bank loans of $719,200. The stock has been steadily declining and is now selling for less than $1 a share. The chances are that the year ended June 30th, 1923, was another period of high costs and small profits, and, as the company's financial condition is weak, stockholders are in a decidedly uncertain position. The shutting down of production by Famous Players does not directly affect this company, but is an indication of how things are going in the moving-picture industry. The showing of D. W. Griffith so far has been decidedly unimpressive. Of course, there may be a turn for the better, but we see nothing to indicate it at the present time.

LOEW'S INC.

Financial Condition Improved

As a holder of Loew's Inc. stock would like to have your idea as to what effect the general movement of moving-picture companies to curtail production may have on this company. —R. A. L., Hanover, N. H.

The shutting down by Famous Players and general curtailment by picture producing companies has not been due to any important falling off in public demand for pictures. It has been due to the steady increase in the cost of producing them. Loew's Inc. income is derived from two sources, its theatres and Metro Pictures Corp., its moving-picture producing subsidiary. The latter company in the past few years has contributed a large percentage of the total earnings. Earnings from the theatre end of its business should hold up satisfactorily, but with Metro curtailing production, total income may be reduced next year. For the year ended August 31, 1923, Loew's showed profits after depreciation and taxes equal to $2.27 a share on its stock as compared with $2.13 a share in the previous year. The balance sheet shows a substantial improvement in the financial condition, bank loans having been entirely eliminated.

ORPHEUM CIRCUIT

Improvement in Earnings

Will the shutting down of some of the larger moving-picture producers have any important effect on earnings of Orpheum Circuit? I have a few shares of this stock and if this is an unfavorable development I will switch into something else.—L. G., Hartford, Conn.

Prosperity for Orpheum Circuit depends on the demand of the public for the entertainment it has to offer. Not only has there been no falling off in this demand but up to the present time it has shown a steadily increasing tendency. We do not see why this company should be affected to any degree by the shutting down of some of the moving picture producing companies. Orpheum Circuit for the year ended December 31, 1922, only earned 2 cents a share on the stock, whereas in the current year about $2 a share will be earned after deducting for depreciation. This improved earning power has enabled the company to strengthen its financial condition.

WHO REALLY PAYS THE TAXES?

(*Continued from page* 112)

smaller as the tax burden becomes lighter or heavier, and it cannot be really said that they pay taxes at all.

Suppose, for the sake of illustration, that a wage-earner is making $25 a week, and pays out of this a total of $3 a week in taxes of all kinds, including the import tax on the sugar that he puts into his breakfast coffee, the real estate tax which comes out of his rent, and in other days, the excise tax on his midday beer. Let us suppose that by some financial miracle he were to be suddenly relieved, at one blow, of the payment, direct or indirect, of all these taxes.

His cost of living would come down to $22 a week, for which he would get the same total amount of commodities for which he formerly paid $25; and it takes no economist to foresee that before long his wages would come down to $22 a week also. It is clear, therefore, that the $3 a week which were formerly credited to his account were paid through him, and not by him.

If taxes do not come out of wages, they must come out of rent and profits. To put it crudely, it is the landowner and the business man who pays all the taxes—not merely those taxes with which he is directly credited, but all taxes whatever. What is more, barring a change in the existing order of business, it is hard to see how anyone else can possibly pay them, under any scheme of taxation whatever.

The above is cordially recommended to the attention of those who constantly complain about the crushing effect of taxes on the poor man, and who want to tinker with the tax system without realizing the full effect of their schemes.

WABASH RAILWAY CO.

(Continued from page 120)

a year ago, and but 3.3% of freight cars were unserviceable, compared with 11.1% August a year ago.

Record Earnings—Dividend Prospects

As previously stated, Wabash's earnings are establishing a new high record this year. Gross for the first nine months was $49,226,000, an increase of over 15%, compared with the corresponding period of 1922. Net operating income of $6,-755,309 was more than double the amount earned in the first nine months of last year and 160% above that of 1921. The nine months' railway earnings alone were sufficient to pay the entire year's fixed charges and leave a balance equivalent to $3.85 a share on the preferred A stock, assuming the outstanding preferred B converted equally into the A and common stocks. This is exclusive of approximately $700,000 of other income, equivalent to $1 share on the preferred A stock. On a conservative estimate of earnings for the balance of the year, the road should show a minimum of $5,400,000 available for the 700,000 shares of A stock, or the equivalent of $7.70 a share.

The financial position of the road as of December 31, 1922, was strong. Cash on hand exceeded $3,800,000 and total current assets amounted to $15,178,000 against which there were current liabilities of $9,526,000, leaving working capital of $5,600,000. To inaugurate a quarterly dividend on the preferred A would require a disbursement of about $830,000 on the basis of the present amount outstanding. This the company seems well able to do.

Valuable Trackage and Terminal Contracts

The Wabash Ry. closed several contracts with leading trunk lines in recent years which have greatly strengthened the system. The road operates a direct line from Kansas City and Chicago to Buffalo. These lines are run in competition with the Nickel Plate and New York Central systems, and in part with the Pere Marquette lines. The road also operates branch lines to Omaha, Des Moines and St. Louis and enters the large industrial centers of Detroit and Toledo. At Buffalo it carries on an interchange of traffic with some of the large eastern trunk lines. At Toledo it exchanges traffic with Baltimore & Ohio and Wheeling & L. Erie and at Chicago with all of the Northwestern carriers and some of the Transcontinental lines.

A very beneficial contract with Delaware, Lackawanna & Western for the use of the latter's passenger terminal facilities at Buffalo became effective March 1st, 1920. This contract is good until March 1, 1925.

The contract consummated in 1917 between Wabash and Pennsylvania and Pere Marquette for the joint use of terminal facilities at Detroit was cancelled and a new one, for a period of 96 years,

on more favorable terms to Wabash, was executed as of August 8, 1921.

On January 1, 1920, Wabash contracted to give Canadian Pacific its freight facilities at Detroit for a period of three years.

The trackage contract with the Grand Trunk Ry. Co. of Canada covering the joint use of tracks and facilities between Windsor and Ft. Erie, Ont., and between Welland Junction and Niagara Falls, Ont., all in the main line of the Wabash between Detroit and Buffalo, and the use of their Black Rock Station in Buffalo, expired on January 24, 1919, but a new contract with similar provisions was executed under date of December 10, 1919, for a period of twenty-one years after termination of Federal Control.

Conclusion

Summarizing the above facts it becomes evident that the new management has succeeded in building up the property, protecting it thoroughly with favorable terminal and trackage privileges, and has succeeded in establishing an earning power which should be sufficient to cover preferred A dividend requirements under normal conditions. Whether or not any early dividend disbursements will be authorized on this issue is difficult to say, but indications are that Wabash is rapidly coming into its own and that dividend payments on the senior issue is only a matter of time. At $34 a share, the stock contains good speculative possibilities.

WHAT WILL PRICES BE LIKE A GENERATION FROM NOW?

(*Continued from page* 129)

abandoned as more and more farmers—and their children—discover that it is easier to make a living in the city than out in the country.

America's economic independence of the world, as expressed in a small proportion of export trade to domestic business, has been due to the fact that this country has had its own empire to develop—an empire reaching from the Atlantic to the Pacific. Now that the greater part of this development is over, American expansion will tend to bring it into closer and closer contact with the rest of the highly industrialized world.

The result of this should be that the enormous spread between American and English or French wages, and correspondingly prices, will tend to be reduced to the spread, say, between Spanish and Italian prices. When two tanks are connected by a tube and free communication is maintained, the level of the water in the one cannot long be very different from the level in the other.

This gives us further reason to believe that the long-term trend of prices in the United States for the next twenty years, say, should be downward—always on the assumption that the future will resemble the past, and always assuming that no new war or other economic disturbance of the first order occurs.

All this has a very definite and practical bearing to all those who are interested in long-term investment, and particularly bonds. A bond is, after all, normally a promise to pay a fixed sum of money at a definite time in the future. If prices are to go down for a number of years to come, two effects on the bond market may be foreseen.

In the first place, the lower prices are, the harder it will be for a fixed indebtedness to be paid at maturity. A $1,000 bond maturing in 1923 may be the equivalent to a steel-making corporation of, say, 20 tons of crude steel today, but should prices decline sharply by the maturity date, it might require 50 tons of steel to pay off each bond. A corporation issuing bonds is to that extent a debtor, and, like all debtors, feels the pinch when prices decline.

One practical result of the foregoing study, therefore, is to avoid the weaker class of bonds for long-term investment, on the ground that they may have difficulties when they come to be paid off, and that the prospect of these difficulties may depress the price of these bonds years in advance.

Conclusion

Another predictable effect, if the foregoing is correct, is that bond yields should decline as prices decline. In periods of falling prices, profits are smaller, and high interest rates cannot be paid to attract new capital; on the other hand, investors are able to get along with a smaller net return, so that they are willing to invest money at a lower interest rate. For this reason bond yields tend to follow the long-term trend of prices.

Since lower bond yields mean higher bond prices, this would seem to be the time to buy bonds for long-pull investment, and, as mentioned above, to stick to the better grade of bonds.

DARK CLOUDS COMMENCE TO LIFT IN SHIPPING

(*Continued from page* 117)

"American shipping has been working under the disadvantage of higher rates of wages than its foreign competitors since the early days. The reason why the old packet and clipper ships that died out after the Civil War were able to make such a success was due to the fact that they received constant protection from the Government. Some such support will have to be given to the American shipping industry today if it is to be retained in its present state."

The kernel of the matter appears to be that in shipping, as in other lines of business where there is a wide-open world market whose prices are not made in the American market, this country is at a heavy competitive disadvantage because of its high level of costs. In the wheat market, for instance, where competition is based on world demand and supply, and prices are fixed in Liverpool rather than in Chicago, American wheat growers have suffered from inadequately low prices, whereas in cotton and to a less

extent in copper, where a considerable part of the production comes from the United States, producers are in a better position.

In the same way, there are types of shipping which are not on a completely competitive basis. Such, for example, is the coastwise trade; another instance is the West Indian trade, where the American flag is predominant.

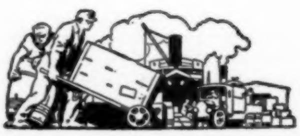
These lines have been correspondingly successful, even without recent governmental aid of any kind. As for the really competitive part of the traffic, the carriage of freight across the Atlantic, it has suffered most of all, and from all that can be seen at the present time, will continue to suffer from inadequate low rates compared with operating expenses on the American level.

Two hopeful possibilities for the transatlantic merchant marine appear. One is the possibility of a solution of the outstanding European problems which will restore international trade to something like its pre-war status, and by raising purchasing power and exchange values all over the world will enable foreign customers to buy American goods as freely as those of any other country.

Unfortunately, it seems likely that the European situation will become worse before it becomes better, even at the most optimistic view of the situation possible. In any event, improvement from this source is likely to be postponed for some time, and cannot for the present be taken seriously into account in estimating the outlook for the American shipping industry.

The other possibility, the granting of governmental aid in some form or other, whether through direct subsidy or preferential treatment of American-owned ships, depends on political considerations which cannot as yet be foreseen. Some such measures would seem to be the logical outcome of protectionism, as it transfers to the shipping business the motion of a protective tariff for manufactured goods, which in itself tends to cut down shipping profits by cutting into the volume of international trade. Should the free trade principle prevail, that shipping services, like commodities, should be purchased in the cheapest market, the outlook for the companies specializing in this type of business would be dark indeed. In the meantime, one can only point out the discrepancy between our national policies, protectionism as applied to goods, free trade as applied to shipping.

In any case, the business observer should not neglect the large volume of American shipping operating on other than European routes which is steadily earning money and bids fair to keep on earning money in the future.



Current Bond Offerings

Temporary Halt in Volume of New Issues—Amer. Tel. & Tel. Offering

THE total volume of new offerings recently was considerably less than in the period covered by the preceding review. This situation, however, is felt to be only temporary, as the lowering interest rate level, combined with renewed optimism in the securities markets, will undoubtedly pave the way to a large increase in the amount of bank issues offered for public subscription. In fact, a number of banking and investment houses are getting ready to take advantage of the better tone of the investment markets generally.

The most important new issue of recent weeks was the $100,000,000 American Tel. & Tel. offering of 5½% bonds. These bonds were officially recorded as having been sold and undoubtedly will ultimately find their way into the strong boxes of the general investing public.

Improved Tone

As recording the improved tone of the investment markets, may be cited the fact that, in connection with the bidding for the $5,000,000 issue of the State of Missouri, the successful banking syndicate was forced to raise its bid slightly above that offered in recent weeks for issues of similar strength and type.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Dallas, Texas	$1,250,000	4.55
Gastonia, N. C.	500,000	5–5.10
State of Missouri	5,000,000	4.40–4.45
Lincoln, Neb.	712,000	4.55
FOREIGN		
City of Medicine Hat, Alberta	$233,000	6.00
RAILROAD		
Vicksport, Shreveport & Pacific Ry.	$545,000	6.20
PUBLIC UTILITY		
Elect. Ry. Equip. Securities Corp.	$1,115,000	5.25–6.00
Penn Public Service Corp.	2,500,000	6.13
INDUSTRIAL		
Vulcanite Portland Cement Co.	$600,000	7.50

Interest rates are now at about 5-5½% against a figure approximately half a per cent higher and will probably decline to a 5% level, and possibly even slightly under. In these circumstances, the bond market should reflect the greater ease in the money markets, and issues of sound origin should be able to do better than hold their own.

WILL GENERAL MOTORS' UNIQUE PROFIT SHARING PLAN AFFECT STOCKHOLDERS?

(Continued from page 137)

General Motors Securities stock to the company of that name.

How the Plan Works

The Managers Securities Company will start business, then, with $50,000 cash, 2,250,000 shares of General Motors common or its equivalent, all or in part, in stock of the General Motors Securities Corporation. Its common stock will be in the hands of the executives and its preferred will be in the hands of those contributing the General Motors common to the Managers Securities Company treasury.

The first year's income figuring on a minimum basis, will consist of $2,000,000 from General Motors and $2,700,000 from General Motors stock or a total of $4,700,000. Deducting $2,016,000 for the 7% dividends on General Managers Securities Company preferred, leaves $2,684,000 for the Managers Securities Company A and B stock. These earnings will be equal to 53.6% on the total of the A and B stock. If it is decided to use the entire Managers Security Company's earnings to retire its preferred stock, there would remain at the end of the eight year's period during which the 5% contract has to run with General Motors, $1,262,687 par value of preferred stock outstanding. This could be retired the following year from the $2,700,000 received from the General Motors common and there still would be a balance for the year equal to 28½% on the General Managers Securities Company A and B stock. The succeeding year with all the preferred retired, earnings on the combined A and B stock would be equal to 54%.

Some Entrancing Prospects

There are some delightful prospects, from the executives' point of view, in the plan. In the event the dividend on General Motors common is increased from $1.20 to $1.30, it would be possible to retire all of the preferred stock in eight years leaving a balance of upwards of $1,000,000 for the common at the end of the last year, equal to nearly 21% on the common stocks. Then again, if the 5% clause of the contract with General Motors yields more than $2,000,000 annually, the preferred could be retired much more quickly with correspondingly larger earnings for the common.

For instance, the indicated net earnings this year of $80,000,000 would give, under the 5% contract, to the Managers Securities Corporation approximately $2,400,000. On this basis the preferred stock would be retired in less than 7 years.

Summary

General Motors' new profit-sharing plan affects three groups, the duPont in-

terests, the General Motors' executives and the General Motors' stockholders.

The duPont interests in selling at $15 a share the 2,250,000 General Motors common acquired from W. C. Durant at a net cost, including financing expenses therewith, of about $14 a share, apparently make a profit of $1,125,000 on the basis of General Motors' present market price. It should be remembered, however, that the duPonts relinquish all possible returns on the 2,250,000 shares from a higher dividend rate or increased market valuation.

The executives, in effect, are purchasing 2,250,000 General Motors common, worth at this writing in the open market $32,625,000, for $5,000,000. An average investment of $71,000 by the 70 executives would be worth, at the end of eight years and at present market prices, approximately $400,000, and more or less according to the market course of General Motors common.

Conclusion

While at first blush this looks like a pretty heavy levy upon the General Motors Corporation, the fact has not been brought out that the plan should not increase General Motors outlay along similar lines a single dollar. Under the present bonus system, General Motors distributes approximately 10% of net earnings above 7% on the capital employed, and the cost of both plans in operation should be less than the 10% disbursed under the existing bonus system.

The main result, then, is to put it squarely up to the executives to make General Motors common worth more money, and that is the chief objective of the plan.

INVESTING—FROM THE WOMAN'S POINT OF VIEW

(*Continued from page* 111)

in the papers, but a real person, a partner, whose testimony and interviews are to be critically read.

Judge Gary returns from Europe and I await his message as from a friend.

My mental associates are men of affairs of whose success I am proud and in which I more—or rather, laughably less—participate, being of course, of far less importance than a boll-weevil. After all, it is only collectively that either boll-weevils or humble stockholders are of importance!

No Desire to Become a Speculator

I never go to a broker's office. I trust I shall never become a speculator. I most ardently hope that I shall not lose my money. *But no matter what happens, I cannot lose the pleasure I find in my widened horizon, my increased circle of "friends," and the heights and depths of my world-round interests.* Aside from any question of money—having had no unreasonable expectations on this point—the years of my investments have been profitable ones. No annuity could be half so satisfying or buy for me what my own small, individual ventures have bought.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100	6.00
Adirondack Electric Power 1st 5s, 1962	A..	96	5.25
Alabama Power Co. 1st 5s, 1946	B..	91½	5.65
Appalachian Power Co. 1st 5s, 1941	B..	90	5.90
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	95	5.40
Carolina Power & Light 1st 5s, 1938	B..	94½	5.55
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	105	5.50
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95	5.50
Electrical Development of Ontario 5s, 1933	B..	95	5.70
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s, 1946	B..	92	5.65
Hydraulic Power 1st & Imp. 5s, 1951	A..	97½	5.50
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	87½	6.00
Laurentide Power Co. 1st 5s, 1946	A..	94½	5.40
Madison River Power Co. 1st 5s, 1935	A..	98½	5.20
Mississippi River Power 1st 5s, 1951	B..	92½	5.55
Nebraska Power Corp. 1st 6s, 1949	B..	100½	5.99
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	103	7.40
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	95	5.30
Shawinigan Water & Power 1st 5s, 1934	A..	100	5.00
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	100	6.00

GAS AND ELECTRIC COMPANIES

Bronx Gas & Electric 1st 5s, 1960	B..	89	5.78
Burlington Gas & Light 1st 5s, 1955	B..	83	6.25
Buffalo General Electric 1st 5s, 1939	A..	100	5.00
Cleveland Elec. Ill. Co. 5s, 1939	A..	99½	5.05
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	67	7.65
Dallas Power & Light 6s, 1949	B..	100	6.00
Denver Gas & Electric 1st 5s, 1949	A..	93	5.50
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.80
Indianapolis Gas Co. 1st 5s, 1952	B..	87	5.95
Nevada-California Electric 1st 6s, 1946	B..	94	6.45
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	109	6.10
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93¼	5.60
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	92	5.50
Twin State Gas & Electric Ref. 5s, 1953	B..	80	6.50
United Light & Railway 5s, 1932	B..	87½	6.95

TRACTION COMPANIES

Columbus Street Railway 1st 5s, 1932	B..	88	6.80
Detroit United Railway 1st Coll. 8s, 1941	B..	107	7.30
Galveston-Houston Electric Railway 1st 5s, 1954	B..	84	6.17
Kentucky Traction & Terminal 5s, 1951	C..	75	7.15
Knoxville Railway & Light 5s, 1946	C..	82	6.50
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	93	6.80
Memphis Street Railway 5s, 1945	C..	75	6.70
Northern Ohio Traction & Light 6s, 1926	B..	97	7.10
Nashville Railway & Light 5s, 1953	B..	87	5.95
Schenectady Railway Co. 1st 5s, 1946	C..	66	8.35
Topeka Railway & Light Ref. 5s, 1953	B..	86¼	6.10

HOLDING COMPANIES

American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.20
American Gas & Electric 6s, 2014	B..	95	6.30
American Power & Light 6s, Series A, 2016	B..	92½	6.50
Federal Light & Traction 1st 5s, 1942	B..	87	6.18
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.70
Middle West Utilities 8s, 1940	A..	106	7.35
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.40
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95½	5.45
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	98	5.30

AMER. TEL. & TEL. FINANCING ABSORBS MARKET'S ATTENTION

Other utilities now coming into market for funds though Consolidated Gas finances through medium of common stock

OUTSTANDING feature to the market for public utility bonds was the issue of some $100,000,000 5½% bonds put out by American Telephone & Telegraph. It was reported that offer was quickly absorbed by the primary distribution facilities and also the investor. While for the time, the large issue may have the effect of restricting a higher bond market, the knowledge that this country's premier public utility property deemed the times propitious for so large an offering, was construed as an evidence that the feeling is better all around.

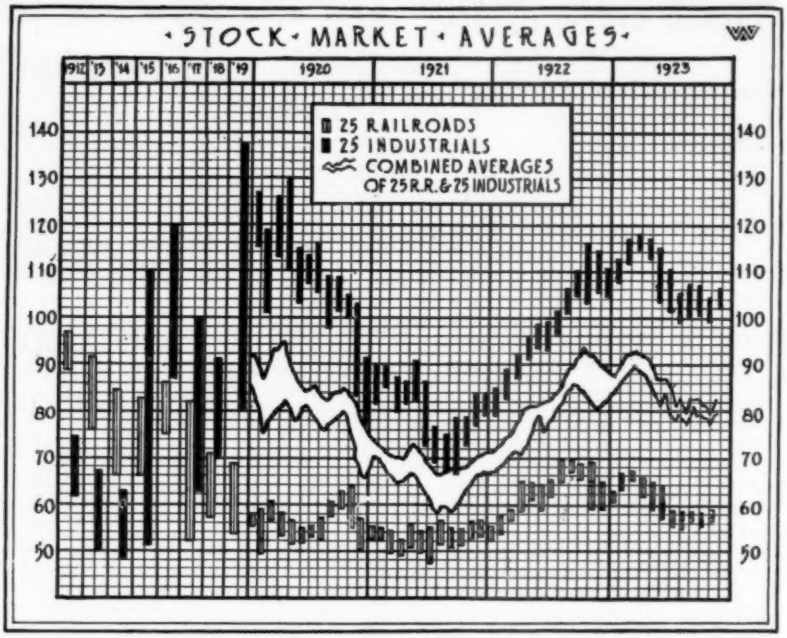
In addition to the offering by American Telephone, some of the smaller properties have been coming into market the past few weeks with small issues, and they are also reported as being well taken. Bonds of the smaller companies have been generally 6s, which have been offered at a price around 95 or at a yield of approximately 6½%.

Sentiment the past two weeks has continued cheerful with the general expectation that higher prices for bonds can be looked for though the coming session of Congress is looked forward to as likely to exert a far-reaching effect on the market. The Soldiers' Bonus element has been especially promiment of late with the indication that there is a powerful element in the ranks of both the large parties who are determined to make an issue of this question. The declaration of Secretary Mellon that an income-tax reduction was contemplated has done much to offset the influences behind a Soldiers' Bonus, but at the same time this disturbance still overhangs the bond market. Naturally, with the government coming into the market with a large issue to finance any bonus, the bond market, including utilities, would suffer for some time to come.

Consolidated Gas Financing

Another interesting sidelight on the better feeling among operators of public utility properties in regard to financing much-needed expansion is found in the case of Consolidated Gas. The company, it was reported, has been negotiating for a loan to be put out in the form of notes or bonds but, after investigating the matter, came to the conclusion that it would be able to finance itself through the sale of common stock.

While the sentiment has continued good the past few weeks, market for the unlisted public issues has continued quiet though a few fractional advances were reported. It is becoming apparent now that, while prices may move upward, there will be ample time for the prospective investor to make his pick of the better issues, many of which are still available at prices which show 6½%, 7% and even higher among the issues which are not so well known to the public generally.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Friday, November 2..	76.40	88.91	79.95	80.70	79.55	1,101,763
Saturday, Nov. 3.....	76.45	89.63	79.93	80.96	80.10	545,600
Monday, Nov. 5......	76.42	89.36	80.03	81.19	80.35	773,582
Tuesday, November 6..			HOLIDAY			
Wednesday, Nov. 7...	76.32	89.48	79.73	81.22	80.44	766,582
Thursday, Nov. 8.....	76.32	90.75	79.92	81.96	80.56	1,217,900
Friday, Nov. 9.......	76.36	91.14	80.28	82.27	81.22	1,212,928
Saturday, Nov. 10....	76.52	91.39	80.58	82.11	81.52	480,018
Monday, Nov. 12.....	76.59	91.08	80.50	82.58	81.38	1,034,056
Tuesday, Nov. 13.....	76.72	90.75	81.20	82.49	81.49	973,418
Wednesday, Nov. 14..	76.68	90.41	81.00	82.30	81.43	958,503
Thursday, Nov. 15....	76.49	90.87	80.70	82.54	81.52	867,570

GREAT NORTHERN RAILWAY

(*Continued from page* 121)

they have ever been, and much lower than at the same time last year, and amount to only 4.5% for freight cars and 12.3% for locomotives waiting heavy repairs. The operating ratio for September, 1923, was 62.1, the lowest for any month since 1917, prior to Federal control.

Conclusion

From the best estimates for October, it is plain that the net for that month will substantially exceed that of September, and, including October, the net earnings for the first ten months of 1923 should exceed the entire year of 1922. **Adding the estimated earnings for November and December, the net for the year 1923 will amply provide for all bond interest, 5% dividends on the stock and leave a substantial balance for surplus.**

As to the immediate future, it is clear that the relatively unfavorable rate structure in the Northwest is an element of strength and not one of weakness. The rates in this section having been reduced more than those of other sections are least liable to suffer from a cut in rates, while reductions in the Eastern region would be a positive benefit to the Northwestern carriers. The Great Northern annually pays approximately $2,250,000 to Eastern roads for freight on company coal, and of course a reduction in the coal rates in Eastern territory would correspondingly benefit the Great Northern. As Great Northern should earn 6% on its stock in 1923, and this is equivalent to only a little over 4% on property investment as fixed by the Interstate Commerce Commission, there is little reason to expect rate cuts because of excess earnings. The recent decision of the Interstate Commerce Commission in the Kansas Grain Case, in which they refused to reduce grain rates in the face of the strongest political pressure, is in itself further proof that any rate reductions will most likely fall on those rates which are now at the highest levels, which certainly does not include the Northwest. **Altogether the outlook for Great Northern is most encouraging and would seem to warrant the stock selling at substantially higher levels.**

WORTHINGTON PUMP & MACHINERY CORP.

(Continued from page 138)

millions of Class B 6% cumulative preferred, and 12.7 millions of common. To this may be added $600,000 of notes owing to the United States Government, to be repaid at the rate of $200,000 a year until March 1, 1926.

The financial position of the company is very strong, largely as a result of the conservative policy mentioned above. At the end of 1922, current assets amounted to 18.8 millions, and current liabilities to 3.8 millions. Among the former were bonds of the American and British Governments amounting to 4.7 millions, cash in bank of 1.4 millions, and receivables of 4.3 millions. Inventories were down to 8 millions, after having been as high as 13.2 millions in 1920, when a 2 million-dollar loss was taken on them. The net current assets of all the European continental branches were carried at only $365,000. The largest item among the liabilities was a reserve for taxes of 3 millions.

In deciding on the value of Worthington Pump stock, however, one should not be over-influenced by the excellent financial position, as this is not only customary but necessary with heavy machinery companies. Much of their business consists of large contracts on which money has to be spent for labor, materials, blueprints, etc., for months sometimes before payment is made for the completed product.

Looking at the assets as a whole, we find that the working capital of 15 millions roughly balances the preferred stock issues, while the fixed assets and minor items such as investment in foreign affiliated companies, after deduction of the debt to the Government, leave about $95 a share on the common.

This does not in itself mean, however, that the latter is necessarily a bargain at present prices around 23. The earning power of the company appears to be relatively low, and stock values are fundamentally a matter of earning power. For the current year, early estimates of $11-$12 a share have been reduced to $4-$5 a share, and the decline in new bookings in recent months gives reason to believe that the final showing may be even poorer.

The Class A preferred, paying 7%, is selling around 81, yielding 8.6%, and the 6% Class B is selling at 60 to yield 10%. The common has paid no dividends since July, 1922.

Of the two preferred issues, which have equal security but are redeemable, the Class A at 115 and the Class B at 105, the latter would seem to be the more attractive as a speculative investment.

As for the common, while holders would probably do well to hold on for some time, as the stock has had some sharp speculative advances on short notice in the past, it does not seem an attractive security for new investors until its trade position and earning power assume a more favorable aspect.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (5P)	71 — 74
American Book Co. (6)	90 — 95
American Cyanamid (4)	76 — 79
Pfd. (6)	72 — 74
American Thread pref	3⅞— 4¼
Amer. Type Founders (6)	82 — 85
Pfd. (7)	97 —100
Atlas Portland Cement (4)	83 — ..
Babcock & Wilcox (7)	107 —109
Borden Co. (8)	121 —123
Pfd. (6)	101 —103
Bucyrus Co.	41 — 43
Pfd. (7A)	104½—107
Celluloid Co. (6)	80 — 85
Childs Co. (8)	160 —165
Pfd. (7)	111 —114
Crocker Wheeler (2)	30 — 40
Pfd. (7)	78 — 88
Curtiss Aero & M.	12 — 13¼
Pfd.	35 — 40
Franklin Rwy. S. new w. i.	61 — 66
Jos. Dixon Crucible (8)	135 —139
Gillette Safety Razor (12P)	251 —255
Ingersoll Rand (8)	180 —185
Johns-Manville, Inc. (3P)	88 — 93
McCall Corp'n	40 — 45
Pfd. (7B)	110 —114
New Jersey Zinc (8P)	140 —145
Niles-Bement-Pond	29 — ..
Pfd. (6)	75 — 85
Phelps-Dodge Corp'n (4)	135 —145
Poole Engineer'g (Maryland):	
Class A	18 — 22
Class B	8 — 11
Royal Baking Powder (8)	120 —128
Pfd. (6)	97 — 99
Safety Car H. & L. (7)	90 — 93
Savannah Sugar	50 — 54
Pfd. (7)	77 — 80
Singer Mfg. Co. (7)	125 —127
Superheater Co. ($8P)	154 —158
Thompson-Starrett (4)	58 — 65
Victor Talking Mach. (8)	145 —150
Ward Baking Co. (8)	130 —135
White Rock (5)	45 — 47
2nd Pfd. (5)	54 — 57
1st Pfd. (7)	79 — 83
New Stock w. i.	9¼— 10
Yale & Towne (4)	62 — 64

* Dividend rates in dollars per share designated in parentheses.
† Listed on N. Y. Curb Exchange.
P—Plus Extras.
x—Ex-Dividend.
A—Arrears of 9% being discharged at regular intervals.
B—Arrears being discharged at rate of 7% annually in addition to regular dividend rate.

COMPARISON of the quotations in the above table with those of two weeks ago will give an idea of the general activity and strength exhibited by Over-the-Counter stocks during the fortnight. Features of the market included Singer Manufacturing Co., which gained substantially, Bucyrus Co., the Baking stocks and Superheater. Factors in the demand for these issues are discussed below.

Singer Manufacturing Co.

The steady buying in Singer Manufacturing which has been observed for several weeks past made itself felt in the price of the stock which, up to this writing, had advanced to 125 bid.

Confidence in this issue seems more than justified from all points of view. The company really enjoys a world-wide market for its products. Its organization, both from a manufacturing and distributing standpoint, is recognizedly powerful and efficient. In addition, there are the factors of Singer's great financial strength and large earning power.

The company's earning abilities were illustrated in the report for 1922, just recently published. This report showed that its net income for the year had risen to almost twice that of the previous year, actually from 11.9 millions to 21.5 millions. The balance after dividends was 16.6 millions, or all but 10 millions greater than in the preceding year, and the corporation's profit and loss surplus was swelled to above thirty millions of dollars, or well over twice that shown in 1921.

From a balance sheet standpoint, the company's position seems impregnable. Cash, Inventories (56 millions) and Receivables exceeded 126 millions, in contrast with 34 millions of Bills Payable, and Reserves, constituting the only liabilities other than the capital stock.

The earnings of the company in 1922, amounting to almost exactly $24 per share on the 900,000 shares ($100 par value) outstanding (Singer has no bonds or preferred stock) considered together with its enormous surplus were a natural forerunner to a movement last year to split up the capital via the stock dividend route. Such a move would have been right in line with Singer's record, a 200% stock dividend having been paid in 1900, a 100% stock dividend in 1910 and a 50% dividend in 1920. In fact, the directors promulgated a plan to increase the outstanding stock from 900,000 shares to 1,200,000, and ratification was obtained from the stockholders.

The contemplated stock dividend, for which provisions were made last year, as described above, was postponed, however; and an officer of the company informs this Department that its indefinite postponement was decided upon at a meeting, held on September 19th, last.

Present prospects do not favor any immediate action on the 33⅓% stock dividend; they do favor, however, a continuance of the large earnings returns Singer has scored practically since its organization over sixty years ago, and a gradual accumulation of those earnings to the point where either a stock dis-

tribution, with dividends on the additional shares maintained at the present rate, or a cash distribution, or a higher dividend rate will go into effect.

In any event, the company's record, position and prospects are all quite favorable from a stockholder's point of view.

Superheater Co.

Superheater shares continued their steady upswing, reaching new high levels just before this writing.

Stockholders in the company have authorized an increase in the capital stock from 125,000 to 200,000 shares, as forecasted here in previous issues. It still remains to be seen whether the additional 75,000 shares so authorized will be distributed in the form of a stock dividend or otherwise, although the action of the shares evidently encourages a favorable interpretation. The best information seems to be that the directors will declare a stock dividend of 50 or 60%, and follow it up later with a cash payment of $5 or $10 per share.

This issue continues to rank among the Over-the-Counter stocks more favorably regarded by this Department

Bucyrus Co.

Endorsement of Bucyrus preferred shares as a dependable investment medium is having its confirmation in the firmness of the stock as well as the recent action of the directors in granting preferred holders an extra disbursement, over and above the regular dividend rate, of 7% on account of back dividends.

A study of the Bucyrus Co. reveals that this corporation's massive tool products are available for use in a great variety of enterprises, giving it a much wider field for development than might otherwise be indicated. In irrigation, road-building, mining, railroading, dredging and many similar activities Bucyrus mechanisms are in use.

The company has maintained a high standard of results for many years past. In the last 6 years it added a sum equivalent to more than $75 per share to surplus and its asset position has been substantially strengthened. The current year will show Bucyrus to have earned the equivalent of approximately $20 per share, giving it an earnings average for the last 7 years of $13.60 per share, for the last 6 years of $13.50 and for the last 4 years of $13.48.

Disbursements on account of back dividends will continue to be effected, and the present outlook makes it practically certain that, by this time next year, all arrears will have been discharged. Obviously, a steady improvement in the position of the common shares will be the result, which is sufficient basis for their being suggested as a prospective income-producer of no small appeal.

HAS THE I. V. C. STIRRED UP A HORNET'S NEST IN PHILADELPHIA?

(Continued from page 125)

seems to be very much afraid that we are going down to Philadelphia to sell some fake oil stocks, for he raises this question in conclusion:

"Doesn't that sound something like the clause that appears in the prospectus of the fake oil company, in which, after having implied and suggested and delicately hinted that there are a lot of possible profits, which they dare not promise in so many words because of the postal laws, they then wind up a cute little warning to the investor in fine type in which they say "Of course, we do not advise any investor to buy more of this stock than he can pay for conveniently, because we realize that every commercial enterprise has an element of chance in it?"

Now let us go back and briefly review that Philadelphia story we are criticised for writing. We spoke of Philadelphia in what we considered rather commendatory terms, that is, we referred to its treasured history of the past, its commercial importance, and the hospitality of its people. We also mentioned our belief that Philadelphia is more or less of a cradle of financial fakes. But we declared that Philadelphia people could not be blamed for this situation. We also mentioned the fact that ten million dollars were taken from the purses of thousands and thousands of Philadelphians from January 1st last up to October 1st last by the grasping hands of peddlers of questionable securities, and we cannot even hazard a guess as to how many millions have been taken from the pockets of people outside of Philadelphia by companies having their headquarters in the City of Brotherly Love.

A splendid opportunity is presented for Philadelphia to redeem itself. We have pointed out that Philadelphians are losing annually because they listen so generously to the stories of fake stock peddlers, and we have stated, and we insist, that we have the proof that people outside of Philadelphia are losing a great deal of money because of the activities of financial sharpers who claim the Quaker City as their present domicile. And we were wondering, while writing the Philadelphia article, who in that city we might be able to find who would join with THE MAGAZINE OF WALL STREET, the Pennsylvania Department of Banking and the Investors' Vigilance Committee, Inc., in carrying the fact to every Philadelphia fireside, that a really dangerous problem confronts their community and its people. We believe that The Keystone Publishing Company is just the one to get the story across. We shall be glad to help in every possible way. We can assure it that the Pennsylvania Department of Banking, through its Bureau of Securities, will be glad to lend every possible bit of assistance. The banks will help. Oh, they don't need to worry about assistance; they will get all they need.

Yes, Mr. Moore, you have a splendid opportunity to be the modern Moses to lead the people of Philadelphia out of the financial fake wilderness.

Municipal Bonds

HIGHER GRADE MUNICIPALS

			Rate Interest	Maturity	Approximate Yield
N	State of Oregon Highway		4½	A. & O. 1935-45	4.40
N	State of Kansas		4½	July 1931-45	4.40-4.35
N	State of Illinois		4	May 1928	4.45
N	Indianapolis, Ind.		6	Jan. 1927	4.50
	Norfolk, Va.		5	March 1950	4.70
N	Detroit, Mich.		5	Jan. 15, 1942	4.45
N	Minneapolis, Minn.		4¾	1935-38	4.45
N	West Virginia		4½	April 1942	4.40
	Canton, Ohio	Reg'd	6	Oct. 1944-56	4.75
	Canton, Ohio	Reg'd	5½	1938-53	4.70
N	State of Illinois		4¾	Aug. 1929-32	4.45
N	State of Illinois		4¾	Aug. 1933-37	4.40
N	Hawaii		4	1941-46	4.40
N	Minneapolis		4¾	Nov. 1927-40	4.50
N	Hawaii		4½	Oct. 1953-33	4.40
N	Cleveland, Ohio		4¾	Sept. 1931-32	4.50
	Kansas City, Kans		5	Feb. 1942	4.55
	Memphis, Tenn.		5	July 1940	4.70
N	Missouri		4½	Nov. 1930-32	4.40
N	San Francisco		4½	July 1950-59	4.50
	Omaha, Neb.		4½	May 1943	4.50
N	Detroit, Mich.	Reg'd	6	Jan. 1940	4.60
N	State of Illinois		4½	Aug. 1930-31	100¼
	Bristol, Conn.		5	Nov. 1939	4.25
N	Baltimore, Md.	Reg'd	5	March 1933	4.40
	Richmond, Va.		4½	July 1933-38	4.50-4.45
N	New York State	Reg'd	5	Jan. 1930	4.00
N	Akron, Ohio		5	1929-30	4.65
N	Michigan		4¼	April 15, 1943	4.30
	Los Angeles, Calif.	Schl. Dist.	4¾	Sept. 1932 & 35	4.70
N	Jackson, Mich.		5	1926-32	4.00-4.55
N	North Carolina		5	July 1961	4.50
N	North Carolina		4½	July 1931	4.50
N	Jersey City, N. J		4¾	June 1942-50	4.40
N	Mississippi		4½	July 1932-33	4.50
N	Cleveland, Ohio		4¾	Sept. 1942	4.40
	Oklahoma	Schl. Dist.	5	1936-40	4.70
N	State of Iowa		4½	Dec. 1928-30	4.40
N	Newark, N. J		5½	March 1941	4.45
	Cleveland	Schl. Dist.	6	Sept. 1930	4.70
N	Michigan		4	Oct. 1942	4.30
N	Flint, Mich.		4½	June 1945	4.45
N	State of Washtington		6	July 1929-30	4.50
	Portland, Ore.		4½	July 1935-53	4.50
N	State of California		5	July 3, 1946	4.45
N	North Dakota		5¼	Jan. 1934	102
N	Toledo, Ohio		4	Oct. 1933-34	4.40
	Wilmington, Del.	Reg'd	4½	Oct. 1933-37	4.50
N	Camden County, N. J		4½	Oct. 1933	4.50
N	West Virginia		4	April 1932	4.40
N	Jersey City		4½	June 1953	4.45
N	San Francisco		4½	July 1958	99
N	Seattle, Wash.		4½	1932-34	4.60
N	Newark, N. J		4½	Oct. 1940 & 59	4.40
N	West New York, N. J		5	July 1925-26	100¼
	Jacksonville, Fla.		5	Jan. 1936	4.85

N—Legal for Savings Banks in New York State.

HOW I WOULD SOLVE THESE INSURANCE PROBLEMS

(*Continued from page* 145)

West, nevertheless, as stated above, is a company of excellent standing which has made a wonderful record under good management, although it may still be called one of the younger companies.

The company, like many others in Canada, still operates an accumulative dividend plan which has become unpopular in the United States and has to a great extent ceased through adverse legislation.

There are other particulars in which we cannot understand the statements made by the agent. He quotes the premium for a regular 20-Payment Life Policy, and then conveys an impression that you would only have to pay premiums for 15 years.

Our advice to you is that if you wish to take insurance in that particular company you do it through an agent who will make plain, straightforward statements that cannot be misinterpreted and that are strictly true.

The premiums quoted in the second illustration given by the agent are those required for an Ordinary Life policy in the Great West Life.

You will, of course, remember that the dividend figures quoted in the illustrations given you are merely estimates based on what has been paid in the past and that it is impossible to foretell accurately what future dividend distributions may be; indeed, insurance departments in a number of states frown upon the quotation of estimated dividends for long periods in the future.

THE "PURE ENDOWMENT"
More About Its Provisions and Adaptability to Insurance Needs

Reading your article in the issue of September 19th, I noticed where you suggest insurance that would pay to the man if he lives a fixed period of 20 years. On the other hand, if he dies before the time is up, there is no money paid out by the company to his beneficiaries.

Being a representative of the New York Life Insurance Company, I want to ask of you if the New York Life or any other company issues such a policy or is it just a mere suggestion on your part for that kind of insurance?

I trust that you will favor me with an

early reply from the above as one of your readers called my attention to your article and seems to be very much interested in that kind of a policy.—S. J., General Insurance & Real Estate, Milford, Pa.

Your letter evidently refers to an article in the Insurance Department, issue of September 29th.

The Pure Endowment (really a deferred annuity) was included in the article on "How to Adapt Endowment Insurance to Individual Needs" in order to round out and include all the principal variations of this very flexible plan of insurance. The Pure Endowment is seldom written, although it can be obtained in some of the "Old Line" companies, and it was issued at one time by the New York Life as a supplemental contract to certain of their policies. It practically provides for an old age pension at a very low cost, payable only in the event of the insured surviving a fixed period. The fact that the proceeds are payable only to the insured in event of his attaining the maturity date and that otherwise no payment is made—aside from possible dividends—makes it possible to issue the Pure Endowment at a much lower cost than required for the usual Endowment policy.

U. S. INDUSTRIAL ALCOHOL COMPANY

(*Continued from page* 135)

1922, shows the book value of the common to be about $140 a share.

Capitalization consists of $6 millions 7% cumulative preferred stock and $24 millions common stock of a par value of $100. There is no funded debt, and, as already stated, bank loans should be eliminated this year. Net liquid assets at the present time are probably in the neighborhood of 6½ millions. The preferred stock is now in a very strong investment position and entitled to a high rating. At present price of about 95 the preferred returns 7.3% which is liberal for so sound a security. It is attractive for investment purposes.

Conclusion

The common stock has been a speculative favorite for some years and is subject to wide swings in the market. (See graph.) In 1922, for example, it advanced from a low of 37 to 72⅞. In the current year it sold at 73¼ in March and then followed the downward trend of the market until it reached a low of 40 in June. This long downward move took place despite the fact that during this period the business of the company was steadily improving. In purchasing a stock of this character, therefore, the general condition of the stock market is of particular importance. THE MAGAZINE OF WALL STREET now holds that the main trend of the stock market is definitely upward. **Such being the case, United States Industrial Alcohol common stock offers a good speculative opportunity as it is selling well under its high levels of the past two years, and its business is now on a more prosperous basis than at any time since the war.**

AMERICAN TOBACCO CO. TOBACCO PRODUCTS CO.

(*Continued from page* 133)

largest manufacturer of cigarettes in the world. Secondly, the plan allows very considerable operating economies through the elimination of duplicate sales and distributing organizations. American Tobacco figures the present earnings from the manufacturing properties it is acquiring at $3,000,000 annually. Through economies and sales expansion American Tobacco expects to realize from its Tobacco Products investment something like $3,000,000 a year after paying $2,500,000 to Tobacco Products. The plan, then, works to the advantage of both companies. If a Tobacco Products "A" stockholder prefers an investment with greater speculative possibilities than the practically assured 7% on the "A" stock, all he has to do is to sell his "A" stock and reinvest in American Tobacco common or "B" stock.

Conclusion

Considering the general market outlook and the fact that Tobacco Products "A" yields better than 8% on its present price of around 87, it would appear that this issue has not wholly discounted its prospects. It may be regarded as an attractive specvestment. The common is frankly a speculation, but will undoubtedly sell higher sympathetically with the "A" stock.

While American Tobacco's last annual statement showed cash of approximately $8,000,000, the company has in addition $4,500,000 in U. S. Treasury notes and a working capital in excess of $88,000,000. It should, therefore, be able to make its initial $12,000,000 payment to Tobacco Products without undue strain upon its treasury or need for further financing. **The strength that its common stocks showed in the major decline in this year's market, is silent testimony to the company's position and prospects, and augurs well for better prices in the present constructive market.**

HELLO! HELLO! MR. HUMAN BEING? THIS IS YOUR OLD FRIEND THE DEVIL SPEAKING

(*Continued from page* 140)

you, I wouldn't take out a *cent* of insurance. Thousands of people have taken the chance and got by. Why shouldn't you?

"Well, I've got to start on my rounds now. Just keep me in mind, though, will you, and let me know how things are going? And don't fall for this thrift stuff, whatever else you do. . . . Yes, that's what I say: *Thrift Stuff*. It's just the banks' way of getting their clutches onto your money. All they want is to get a little more powerful than they already are. . . . And what do *you* get out of it? A miserable three and a half or four per cent—not enough to keep a bird alive. Why, jeminy, man, you can get ten, twelve, fifteen per cent if you want it! It's just a matter of spunk and ambition and wide-awakeness. . . . Well, there's lots of publications that point out opportunities of this sort. For instance the *Financial Booster* and *Blurb's Magazine* and the *Economic Mess*. Any one of them will show you just what the market's got to offer. Dodge this MAGAZINE OF WALL STREET, though. . . . Yeh. . . . I don't care *what* your banker said about it, you just dodge it. . . . Say, those fellows down there are so hide-bound they wouldn't advise a man to take a chance on a *sure thing*. You leave 'em alone. Advice like they hand out is all right for school teachers and dependent widows and children, but it hasn't any appeal for upstanding, enterprising, intelligent men like you and me.

"Well, so long, Old Top. Have a good time while you can. Remember the old saw, 'Life's what you get out of it'? . . . See you in Hell, sooner or later. . . . Bye-bye!"

MAKING STOCKHOLDERS OUT OF PUBLIC UTILITY CUSTOMERS

(*Continued from page* 114)

ing plan, and with the provisions surrounding those securities, and also varying with the number of actual consumers who become security holders under such a financing method, the great body of consumers in a given community can become a powerful influence upon the direction of the company's policies—in short, can have actual representation inside the company itself.

It is this feature of Consumer Financing which accounts for the term "Customer Management" as it is used by many utility corporations. It is this feature which appeals particularly to many consumers who, aside from their interest in securing a satisfactory medium for the investment of their funds, wish also to have some hold on the company which handles those funds. Additionally, it appeals as a means of furthering the interests of the consumer in his own right.

The fourth, and last, of the benefits which Consumer Financing entails from the consumer's point of view is, from one standpoint, the most important and far-reaching of them all. **It is the fact that this type of financing exerts a powerful influence toward interesting the American man and woman in the ownership of relatively high-grade securities.**

It is unnecessary to more than refer here to the billions of dollars which, in the years gone by, our people have been led to place in stock offerings of little or no merit. It is unnecessary to emphasize the truth that, in large measure, the ease with which the people have been inveigled into buying these stock offerings, has been due to the personal selling methods the fake-stock salesmen have pursued. Certainly there is little doubt that the same personal solicitation, where it were practised by those having legitimate invest-

ment issues to offer, would have an equal chance of arousing their interest; and there is no doubt whatever that, once the public had become interested in this better security type, the risk it would assume would be infinitely smaller and its chances of obtaining a steady, satisfactory income infinitely greater.

Consumer Financing, as practised by many of our utilities, contributes toward this end. It constitutes a new, powerful and far-reaching influence toward placing in the average American home—the home that has, in the past, been an easy prey of the fake-security dealer—securities of the sort every home should possess. It offers a means of directly counteracting the baneful activities of the fraud, the schemer and the "booster."

Indeed, one is tempted to say: That, if Consumer Financing had nothing whatever to commend it beyond a single capacity toward interesting the general public in high-grade, rather than low-grade securities, this feature alone would more than justify its adoption and seal it with the stamp of universal approval.

From the consumer's standpoint, then, we find that Consumer Financing (1) affords an opportunity for the investment of limited sums; (2) creates a source of income capable of offsetting charges; (3) doubles a utility's responsibility to the consumer by making it also responsible to him as a stockholder and gives the body of consumers a voice in the management of the utility's affairs; and (4) serves as a means to counteract the fake-stock salesman and to put into the average American home securities of the sort that home ought to possess.

From the Country's Point of View

We have one other angle from which to consider the Consumer Financing idea: That is, from the standpoint of the country at large. By no means is this the least important angle from which to consider it.

From the standpoint of the country-at-large, Consumer Financing is a constructive, beneficial and heartily to be commended project insofar as it increases the number of investment-buying investors, and reduces the number of fake-stock-buying investors. Perhaps, of all the influences contributing to unrest, none is more insidious, and, in its final effects, more destructive than the financial swindle. What Consumer Financing does to counteract this force for evil, the country-at-large and its established institutions may be devoutly grateful to it for doing.

Consumer Financing is also beneficial from the broad point of view insofar as it tends to reduce friction between producers and consumers and also as it tends to stabilize the development of our public utility corporations.

The country is becoming more and more dependent upon its utilities for the regular and sufficient production of light, heat and power and for adequate transportation. Each day that passes finds our fortunes, as a people, more closely inter-

ADVERTISING RATES

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twined with those of the utility company whose electricity plant gives us light, the hydro-electric plant whose power motivates our plants, the water company, whose reservoirs store up the precious fluid upon whose uninterrupted supply life itself depends.

Conclusion

Our utilities, then, for our well-being as a people, must have a constant and steady growth, measuring the growth of our population and measuring, also, our increasing reliance upon the services and fuels which public utilities alone supply.

This growth cannot be achieved if there is to be wrangling, antagonism, cross-purposes as between the utilities and the general public. No more distressing example of where such conditions must lead need be given than the recent spectacle offered by some of our traction enterprises —inadequate, inefficient as they were, the source of innumerable aggravations and even losses.

For a proper, even and adequate growth in our utilities, a policy of live and let live, a mutual cooperation between them and the consuming public is essential.

Consumer Financing, crystallizing the inter-dependence of the utilities and the public, emphasizing their importance to one another by merging them into one body, will tend to bring about this willingness to cooperate. And, insofar as it achieves that purpose, it will benefit us all.

TRADE SHOWS GREATER DEGREE OF STABILITY

(Continued from page 126)

been slightly downward in those parts of the country where shrinkage in commercial borrowing has tended to show a downward movement in the actual turnover of goods. On the other hand, these bank debits have held their own or have shown a slight increase in those parts of the country where the seasonal demand for goods and money has carried the volume of operations to a higher level.

Taking the country as a whole, the movement of the debit accounts up to a recent date has indicated slight recession in the total volume of trade, a conclusion which runs parallel with the indications to be drawn from data showing the volume or turnover both at wholesale and at retail. The fact that in certain localities increases in bank turnover have taken place must be regarded as merely the expansion due to sporadic activity growing out of crop moving and other temporary requirements. It is an interesting feature of the situation that in New York the turnover of bank accounts is now nearly as low as it was at this time in 1920 after the sharp price depression of the earlier months of that year.

Foreign Trade Unsettled

The tendency of foreign trade remains unsettled with an export volume which still moves in our favor, but upon so uncertain a basis as to leave our favorable balance in considerable jeopardy. There is no reason to expect any very early or material change in this regard. September exports of $402,000,000 as against imports of $303,000,000 a balance in our favor technically of $99,000,000. Not very much is to be inferred from the present export trade situation except that it cannot be depended upon as a stable industrial factor, pending the development of a stable basis for reparations at some time in the near future. Lacking that, our banks will inevitably continue to limit themselves very materially in the freedom with which they discount paper and assume new foreign obligations.

In spite of the fact that there has necessarily been a certain amount of export trade financing, as a result of the usual autumn shipments of agricultural staples, there has been less and less disposition on the part of the banks to accept any fresh commitments in foreign currencies or to carry any bills made by foreign houses or institutions even when stated in dollars. This has naturally tended to cut out trade to a minimum basis, and is largely responsible for the shrinkage in shipments of copper and other items which normally find a large market abroad.

In these circumstances, it is undoubtedly the fact that a definite reparations program, especially if accompanied (as Treasury authorities have announced that it would be) by plans for the financial rehabilitation of Germany, would bring about a very great change in the export situation. It would permit banks to finance with safety the movement of our goods to foreign points, and would enable them, as a result, to do what they can to promote the movement of goods to other countries. An immediate consequence of this situation would be improvement in demand for commodities and better business in all branches, as well as a tendency toward stronger prices. The discussions now in progress between Washington and the European countries are among the most immediate factors bearing upon business prosperity in the United States.

Some General Conclusions

The business situation cannot be said to have assumed a distinctively new phase during the month, yet it has apparently tended to check the drift toward less satisfactory conditions which had been so evident some months ago, and the appearance of the present outlook is in favor of stabilization. Already there are indications that tendencies toward curtailment and shrinkage in some lines have been arrested. It remains true that products like oil, which had been giving trouble, are still in an unsatisfactory position due to the fact that overproduction has not been checked. At other points where there had been uncertainty as, for example, in cotton, readjustments are taking place based upon the prospect of a continued high and firm price for the raw material. The uncertainty of the foreign outlook and the lack of assurance as to Congressional policies continue to be the troublesome elements in the situation.

TRADE TENDENCIES

(*Continued from page* 161)

principal non-ferrous metals has improved in recent weeks.

TEXTILES

Wool Strong—Cotton Irregular

Cotton, which advanced to the 34 cent level, met with a wave of liquidation at the highest point and broke badly, marked by a later recovery to near the top. Evidently, the market position is still strong, though there are reasons for believing that at least a temporary halt will be called to the tremendous gain in cotton prices.

The mill situation is spotted, with a number of operators reporting that they cannot produce finished materials and make profits on the basis of high costs of the staple. This is a situation to be reckoned with and very likely a sort of buyer's strike is in the offing. Foreign mill conditions are also spotted but a good export demand has developed, acting as a sustaining influence in the market.

Taking all these factors into consideration, if we were to hazard a guess on the course of cotton prices, we should be inclined to the belief that they have reached their top.

Conditions in the woolen industry are markedly better with an excellent demand developing for the staple. The leading manufacturing interest is now operating at around 83% capacity, but in view of the potential demand should be operating 10% higher by the end of the year.

A NEW STAGE IN BRANCH BANKING

(*Continued from page* 154)

not been authorized by law to do likewise.

The evident difficulty into which he was running, as well as the suits filed in various courts and appealed to the Supreme Court, led to a suspension of the branch activity of the Controller's office which was probably lengthened by reason of the fact that at about the same time a change in the administration of the office occurred, due to the advent of a successor to Mr. Crissinger. Ever since this change, the question what would be the policy of the office under the new management has been urgent, and when announcement was made to the joint Congressional Commission at a recent hearing that the Attorney General had ruled against the creation of branches, it became evident that new policies would have to be worked out in the near future.

Meaning of New Policy

The meaning of the new policy offers a twofold significance. It practically "takes the lid off," so far as the establishment of branches with limited powers is concerned. These may be expected to

multiply about as they choose under the new rules, at least in those states where branch banking is permitted, and it is reasonable to anticipate that legal proceedings will shortly be instituted to compel the extension of the same privilege to all other city national banks, no matter in what state located.

Moreover, if such a privilege can be granted within the limits of a city or town or village, there would seem to be no reason why it might not be given a much wider territorial extension. On the other hand, the limitation that the branches shall engage only in the receipt of deposits and payment of checks handicaps the kind of development that has been going on in various places, and restricts real branch banking of the old type to the familiar method of buying up or acquiring control of state banks which are then amalgamated with the national institution that has purchased their stock. The opening of the subordinate offices or tellers windows, however, will enable banks to do practically anything they choose within reasonable distance of the home office.

Within city limits, for example, there is nothing in Controller Dawes's rules that will prevent a bank from receiving applications for loans from the surrounding depositors, transmitting them by messenger to the parent office either with or without a credit recommendation, and getting back a favorable or unfavorable response, covering the action desired on the several loan applications. The outcome will be to accommodate the public through branch offices on a competitive basis about as satisfactorily and as promptly as at present.

Some Defects of Policy

The action taken by the Controller, however, is expressed in language which leaves open many loopholes for attack and will be likely to render it difficult to resist applications for extensions which are backed by influential demands. At the same time, the new "regulations," being (as they are) vaguely stated, will open the way for a good many types of operations at branches which would be kept under much better control, if they were openly countenanced by the law and administrative policy, than they can be when conducted on a more or less surreptitious basis without supervision and merely under the control of these "regulations."

It is not likely that the new rules will be very much more acceptable to the small banks than the old situation has been. On the contrary, small banks that are situated in the neighborhood, or within the limits, of large cities, will be less well satisfied than they have been, for they will now feel a new kind of competition that they have never been subjected to. The teller's window offices will be much more easily and cheaply created than regular branches; and, with the so-called "armored car service" that is being developed in cities for the quick and safe transportation of coin or paper money, they will be within easy enough reach of the home vault at all times and with substantial safety.

In extenuation of the action taken by

the Reserve Board subsequent to the announcement of the new plan of Controller Dawes, it may be noted that the system practically was obliged to take some action calculated to alter the attitude that had been adopted with regard to state banks that had branches. For a long time past the position of the Board on this subject has been very uncertain. The California banks have for years been dissatisfied—not only those that had wide systems of branches but those also whose branches were confined to the immediate vicinity of the head office.

Altogether the attitude of the Board has been one which required no little definition and explanation for the purpose of letting banks know where the organization stood. But the more such definition and explanation there has been, the more unsettled has opinion seemed to become among the banks, owing to the fact that there appeared to be no positive policy. Now the situation has compelled a direct declaration of the attitude of the Board, and the whole state of things has been shaped evidently with the idea of, in some measure, protecting the country banks against the kind of branch bank competition which they have so long feared as a possible infringement upon their competitive power. **The trouble is that the present plan involves the expulsion of a number of important members from the System and that among them are some banks of unquestioned strength and soundness. This action, too, comes just at a time when effort is being made to increase membership.** Thus a very sharp issue is raised for consideration by Congress.

The forthcoming decision of the Supreme Court may upset the present "regulations" and perhaps the decisions of the Federal Reserve Board under them. How that will be remains to be seen, but in the meantime there can be but little safety in establishing offices under the regulations, and the banks will undoubtedly feel that it is the part of wisdom to await the much more definite and positive settlement of the whole issue under existing law which will be reached by virtue of the Supreme Court decision. This makes the new regulations from one point of view little more than a political gesture.

HOW MUCH INTEREST SHOULD A BANK PAY?

(*Continued from page* 156)

siderable balances which it is likely to have.

Relation to Loan Rate

There is an important relationship between the interest rate and the loan rate which is sometimes neglected. In American banking, it is becoming a better and better established practice to require the maintenance of a substantial balance representing about 20% of the outstanding loans granted to a depositor. Suppose now that a given deposit has been obtained, not by leaving funds with the bank but by borrowing from it. Imagine that a depositor obtains from a bank a loan of $5,000 at a rate of 6% with the understanding that he is to maintain a regular 20% balance which in this case would be $1,000. It is now evident that what the bank has done has been to actually lend him $4,000 for the sum of $300 per annum or rather more than 7%. Suppose now that the depositor finds that he does not need the entire sum, or his current deposits tend to build it up above the $1,000 minimum, so that he averages $2,000 balance. He now pays the bank $300 for his $5,000 line and carries a $2,000 balance on one half of which he receives 2% interest or $20. This makes his actual payment to the bank $280, or exactly 7% on the $4,000 he is allowed to use as he chooses. As he is in fact using only $3,000 he is really paying the bank $280 for that sum or over 9%. It is in these circumstances that the bank makes a substantial return on its business due to the fact that the depositor has not very carefully gauged his borrowing needs.

The tendency in such cases, of course, is to lead the depositor as the result of experience to keep down his balance on hand to the $1,000 minimum, which he is obliged to maintain; or, in other words, with the borrowing depositor the allowance of interest offers no inducement because he is paying the bank much more for the money. This undoubtedly has a deterrent effect upon the increasing of depositors balances. Partly because of their perception of this fact, the English banks much prefer the overdraft system in which the amount of interest payments is computed every month on the basis of his average overdraft (or borrowing). Undoubtedly the English method is the neater and more scientific of the two.

Banking Policy

It is urgent that the bank should endeavor, so far as possible, to avoid the payment of interest to depositors. The thought that money is cheaply purchased at 2% when it can be loaned at 6% is more or less fallacious if we remember that the average cost of keeping alive a unit of deposits is near 4%, so that unless money can be made to yield over 6% its value to the bank that pays 2% for it is open to some question. Of course, these figures must be varied according as the rates of interest in a community vary, but the fact remains that the general relationship already referred to holds true.

Moreover, in those communities where interest rates range higher, it is often a fact that salaries are somewhat higher; and it is usually true that the rates demanded by depositors are very high. In fact there are not a few cases in which Western banks have been known to pay 6% or 7% for deposits, although usually only on time deposits. Such payments, of course, indicate a desperate need for money which over-passes all bounds of prudence. The bank should certainly never exceed an interest payment aggregating higher than 1% on its entire volume of commercial deposits and it should endeavor to get as far below that as it can. Its competition with other banks should take the form of service and efficiency not payments for the use of money.

HOW A WELL-MANAGED BANK INVESTS ITS FUNDS

(Continued from page 153)

not in all cases have as large a market as those of lower yield and more "gilt-edged" character. But at the same time, in order to combine safety with maximum revenue, it has made a fairly broad selection of items in order to equalize risks so far as possible. The following illustrative list shows the character of investments carried by the institution:

Canadian Securities, including provincial bonds, and issues of the cities of Victoria, B. C., Regina, Winnipeg, Vancouver and a variety of others	$100,000
Equipment Trust Notes, including Virginian Railway equipment trusts, Hocking Valley, Erie and several others, about	$100,000
American industrial issues, including Eastern Steel Co., U. S. Stores Realty Corp., California Petroleum, Anaconda Copper, Fisher Body Corp., and a variety of others, about	$100,000
Public Utilities securities, including American Tel. & Tel. collateral Trust notes, Central States Electric Corp., Bell Telephone Co. of Canada, Northern States Power Co., Illinois Bell Telephone, Continental Gas & Electric, and a variety of others, about...........	$200,000
Railroad bonds, including N. Y. Central fives, Louisville & Nashville fives, N. Y., Chicago & St. Louis fives, and others of the same general grade, about......	$100,000

The figures given are approximate only and are intended merely to show the general distribution. The names selected are representative of the character of items purchased, the yields running from about 4½ to about 7% net, the variation representing differences in liquidity; and, to a certain extent, in security.

General Policy

The bank has never found it necessary to rediscount, but as its customers' loans increased it obtains the funds needed from a call loan account, building that up as occasion seems to require by transfers to it from maturing paper or investments. In this way the institution, while maintaining a high degree of liquidity, provides for the growth of its customers' loans, while in the event that new deposits accumulate more rapidly than new loan applications, the funds are put into the call market.

In this survey, effort has been made merely to furnish an account of the experience of a bank engaged in applying its funds as economically as possible. In later articles criticism will be offered as to the policies involved in these and other uses of available investment funds.

DIVIDENDS

McINTYRE PORCUPINE MINES
Limited
(No Personal Liability)
DIVIDEND No. 21

NOTICE IS HEREBY GIVEN that a dividend of five per cent (5%) on the issued Capital Stock of the Company will be paid on the 2nd day of January, 1924, to shareholders of record at the close of business December 1st, 1923.

By order of the Board.

H. G. LAUX,
Treasurer.

Dated at Toronto, Nov. 16th, 1923.

GUANTANAMO SUGAR COMPANY

The Board of Directors has this day declared a dividend of two dollars ($2.00) per share on the Preferred Stock, for the quarter ending December 31, 1923, payable January 2, 1924, to stockholders of record at the close of business December 15, 1923.

GEORGE H. BUNKER, Treasurer.

New York, November 8th, 1923.

WILL PRESIDENT COOLIDGE HELP BIG BUSINESS?

(Continued from page 107)

the price to the farmer. It is just as important to him to be guaranteed reasonable rates of sea transport as of land freight. The real security is an American-owned Merchant Marine. In the long view the expansion of our foreign trade must and will take place in the export of larger proportions of manufactured goods. The primary requisite for such expansion is the assurance of regularity in transportation.

"We must have especially regular and positive transportation under our flag on those great trade routes where our commerce can and will expand. Nor can America be dependent for her movement of overseas goods upon the make and break of peace and war in different parts of the world. We have had one gigantic national experience with this already."

Two or three things have been started by Secretary Hoover to indicate that the present administration and the Harding régime preceding had a care for the elimination of waste in industry. Little attention was given to it at the time, but in mid-summer Secretary Hoover called a conference of state purchasing agents to standardize and to coordinate system of purchase of state supplies. More than half of the states were represented at this conference, and Mr. Hoover pertinently referred to the waste because of the absence of "standards" in purchasing orders, ranging from lead pencils to road-working trucks. Every state purchasing agent chimed in and today the Federal government is aiding in the establishment of "standardization" in all orders covering supplies for Federal and state governments.

Last Spring on advice of Secretary Hoover and other government officials the Administration made operative a program for the creation of a so-called "construction reserve." Costs of materials and labor had so increased that the Federal government evidently thought there should be a temporary end of construction pyramiding. Accordingly, Secretary Hoover recommended that for purposes of stabilization the government should halt its public construction, excepting only emergency projects, and hold as a sort of reservoir for employment later a number of construction enterprises.

Construction Situation Easing Up

At present there are indications that the construction situation has so loosened that the feeding out of contracts is justified. Significance is attached here to the notice of the Federal Reserve Board to San Francisco and St. Louis reserve banks that bids may now be considered for construction of their branches at Salt Lake City and Little Rock. Previous bids had been disapproved by Washington during the period of over-building. The Administration's Construction Reserve, nevertheless, is to be used only when prices are reasonable.

Briefly, Secretary Hoover has just caused the American lumber industry to propose a definite plan of "standard lumber sizes." Mr. Hoover estimated that such standardization would save the American lumber industry and consumers around $250,000,000 a year. It's a long and technical story, but in Washington the lumber interests will meet in December to discuss lumber standards and the elimination of waste in that industry. It's a hopeful sign in the East for other industries.

On the whole, the Coolidge Administration is doubtless enigmatic for the present. It is somewhat non-communicative but not alarmingly secretive. From the viewpoint of the practical politician, the news gatherer and the average American who wants information about what is going to happen until March 4, 1925, the Coolidge administration today is not a radio broadcasting station. Big business and little business, farmers, railroaders, stockmen, taxpayers, jobhunters, Cabinet members and Senators and Representatives are really "standing by" and listening in on a political radio that may develop a lot of static and wave interference.

President Calvin Coolidge is also "listening in," as he has been since August, but is doing no broadcasting. It doubtless will go along like that until Coolidge's annual message to Congress in December—and even after that it is not assured that either big or little business will know the verdict of the national jury of legislation and administration.

Meanwhile, this parting suggestion to big business and industry: Until the political clouds fade away, and the economic clouds grow more black—the Coolidge administration is not going to perform any major operation upon you; if the radicals in Congress start minor operations upon the body politic, the White House is ready to apply an effective New England, Coolidge, anaesthetic.

In the language of radio broadcasting: "Stand by—and wait."

STATUS OF SIX LEADING LOW-COST COPPER PRODUCERS

(Continued from page 148)

are before charges for depreciation, extraordinary expenses, etc.

Nevada's stock will do better on a rising metal market but, in our opinion, does not offer the same prospects as some of the preceding companies discussed. Its dividend was passed in December of 1920 and there appears to be no immediate outlook for its resumption.

UNITED VERDE EXTENSION United Verde Extension is an offshoot of the famous United Verde property which made W. A. Clark many times a millionaire. The company was incorporated in 1910. It is a comparatively small proposition with a capitalization of only $750,000 authorized and $525,000 outstanding, par 50c. There is no funded debt. Although its ore bodies are not extensive, totaling 1,036,166 tons as last reported, they are very rich, averaging 9.7% copper, .03 ounces of gold and 2.0 ounces of silver.

Consequently the company has been able to show large earnings, low costs and to pay handsome dividends. The dividend record follows:

1916	$1.00
1917	2.85
1918	4.50
1919–20	2.25
1922	1.25
Present rate	4.00

United Verde Extension is producing about 42,000,000 lbs. at the present time which is close to its high record. Production totals for the last five years follow:

1919	28,985,574 lbs.
1920	42,100,470 "
1921	12,613,990 "
1922	31,821,020 "
*1923	28,093,570 "

* Eight months ended August 31, 1923.

The management of United Verde Extension is excellent as the property is controlled by the Phelps Dodge interests. At the end of last year the equities for the stock were figured at nearly $36 a share. On the present dividend basis the stock yields better than 14% and is an attractive specvestment. **In regarding the high yield, however, the investor must take into consideration the matter of amortization of investment, for that point is very vital in a company like this with comparatively small known ore reserves. At least 5% of the income on the investment should be regarded as return of capital.**

THE BANKERS' PART IN FINANCING THE AUTOMOBILE BUSINESS

(Continued from page 155)

Financing the Truck Business

The truck phase of the automobile business has assumed a slightly different financial aspect, due to the fact that the machines are sold as a rule to commercial concerns which buy them as a part of their capital investment. There is a much larger element of direct sale on the part of manufacturers to users of trucks than there is in the case of passenger cars. Manufacturers frequently allow a buyer to take the machine and pay a moderate instalment thereon, with the remainder spread out over a period of months which sometimes runs as high as sixteen or eighteen. Where trucks are disposed of through local agents or dealers, the terms and conditions of sale will be somewhat the same as in the case of the passenger cars, but a larger proportion of them are simply covered by notes without chattel mortgage, although in probably a majority of cases the mortgage or lease method is employed, just as in the case of the passenger cars.

There is no essential difference in the method of protecting or collecting on a truck sale where the time plan is employed, but the underlying principles are the same as those used as in the sale of passenger cars. However, actual sales of trucks for spot cash are an undoubtedly

DIVIDENDS

Remington Typewriter Company

Preferred Dividends

New York, November 13, 1923.

The Board of Directors has this day declared a quarterly dividend of 1¾% ($1.75) per share on the First Preferred and Series "S" First Preferred stocks, payable January 1, 1924, to stockholders of record December 22, 1923.

The Directors also declared a dividend of 2% ($2.00) per share on the Second Preferred stock, payable December 20, 1923, to stockholders of record December 8, 1923.

HAROLD E. SMITH,
Secretary.

TEXAS GULF SULPHUR COMPANY

The quarterly distribution of $1.50 per share has been declared by the Board of Directors, payable on December 15, 1923, to stockholders of record at the close of business on December 1, 1923.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

An extra distribution of 50 cents per share has also been declared by the Board of Directors, payable from Reserve for Depletion on December 15, 1923, to stockholders of record at the close of business on December 1, 1923.

H. F. J. KNOBLOCH, Treasurer.

CANADIAN PACIFIC RAILWAY COMPANY

Dividend No. 110.

At a meeting of the Board of Directors held today a dividend of two and one-half per cent. on the Common Stock for the quarter ended 30th September last was declared from railway revenues and Special Income, payable 31st December next to Shareholders of record at three P. M. on 30th November instant.

By order of the Board,

ERNEST ALEXANDER, Secretary.

Montreal, 13th November, 1923.

OFFICE OF THE UNITED GAS IMPROVEMENT CO.

N. W. Corner Broad and Arch Streets

Philadelphia, September 12, 1923.

The Directors have this day declared a quarterly dividend of **one and three-quarters per cent. (87½c per share)** on the Preferred Stock of this Company, payable **December 15, 1923**, to holders of Preferred Stock of record at the close of business November 30, 1923. Checks will be mailed.

I. W. MORRIS, Treasurer.

McCall Corporation

New York, N. Y.

November 15, 1923.

The Board of Directors has declared a regular quarterly dividend of $1.75 per share on First Preferred Stock and a further dividend of $1.75 per share on the First Preferred deferred dividend account, payable January 2, 1924, to holders of record December 15, 1923.

J. D. HARTMAN, Treasurer.

Notice of Dividends

CRANE CO.

Chicago, Illinois

November 13, 1923.

The Board of Directors has this day declared a quarterly dividend of One Per Cent (1%) on the Common Stock, and One and three-quarters Per Cent (1¾%) on the Preferred Stock, payable December 15, 1923, to Stockholders of record at the close of business December 1, 1923.

H. P. BISHOP, Secretary.

larger percentage of the total business of dealers therein than in the case of passenger cars, and as a result the dealer is able to get a larger and better line of credit at his bank on his own unsecured note than is possible in the case of the passenger car business.

Special Finance Corporations

It is clear that the difficulty in this whole process is found in the fact that notes and other forms of obligation taken by the dealer or the manufacturer covering time sales are likely to be longer than the ordinary bank wants to carry them. This has led to the creation of special "automobile financing" concerns. These frequently assume direct charge of financing time sales, instead of leaving this matter to be dealt with by the distributor or dealer on such a basis as they may arrange between themselves. Supposing that A, a consumer, wishes to buy a machine costing $1,000 from B, a distributor "on time," he will be referred to Corporation C and will arrange with it substantially the same basis of instalment payment previously described as applying to the case of dealers' sales.

In some cases, dealers who buy from the manufacturer likewise finance themselves through such an intermediate corporation, the dealers giving their notes to the Corporation (C) which then discounts them or sells them, and pays the proceeds to the manufacturer. Occasionally, a trade acceptance method may be resorted to, the paper being accepted by the distributor while the drawer of the acceptance then endorsed it and turns it over to the financing coporation (C).

There is no general agreement as to the choice between these various methods, but it is to be noted that all of them involve the retention of title in the hands of the seller or the person to whom he may assign title, until the completion of the payments already referred to. Some bankers have united to form such corporations for the purpose of financing their customers who are buying automobiles, and they themselves then purchase the notes of the corporation secured by the mortgages on automobiles or sell them to other banks.

Status of Automobile Credit

While, as already stated, the automobile business is likely to be a credit business in large measure, for a good while to come, there is a danger that it may develop too largely along credit lines, and may thus get into a position in which the paper growing out of it is not as sound as it should be. The safeguards to be employed are to be found in the careful watching of the credit or paying-power of the purchasers of machines at every stage in the paying process, in order to make sure that they are not becoming involved in a transaction which is beyond their means. If any considerable number of machines have to be taken back (or "repossessed" in the polite slang of the trade), the effect is a very bad one on the paper of the concern which is thus obliged to protect itself.

(Other types of financing automobile accessories, etc., to be dealt with in later articles.)

WILLYS-OVERLAND COMPANY

(Continued from page 139)

this issue only requires 4½ millions which compares with earnings for 1923 of between 14 and 15 millions. It can readily be seen, therefore, that if the company only does half as well in 1924 as it has done this year, it would be in a position to make substantial payments on account of back dividends. **As a 7% stock with 21% back dividends due it should command a materially higher market price than the present level of 73. Resumption of dividends on this issue should be reflected in considerably higher prices for the stock, and in the opinion of the writer it offers a very attractive speculation at the present time.**

While early dividend action on the common stock is not to be expected, at present levels of 8 it has only moderately reflected the immense improvement in the company's affairs. In each of the years 1917 to 1920, it reached 30, although the best of these years only showed $3 a share earned. The present price of 8 with earnings at the rate of over $5 a share appears very much out of line. **For the investor who is willing to hold a non-dividend payer for the long pull for appreciation in value, this issue presents a good opportunity.**

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$6	Amer Beet Sug pfd	$1.50	Q	12- 8	12-31
$3	Amer Metal com...	75c	Q	11-17	12- 1
$7	Amer Metal pfd....	$1.75	Q	11-19	12- 1
12%	Amer Tob com....	3%	Q	11-10	12- 1
12%	Amer Tob B com..	3%	Q	11-10	12- 1
$4	Atlantic Ref com..	$1.00	Q	11-21	12-15
—	Beech Pkg co (stk)	50%	Ext	12- 1	12-10
$8	Brooklyn Edison...	$2.00	Q	11-20	12- 1
$4	Brown Shoe com...	$1.00	Q	11-20	12- 1
$7	Brown Shoe pfd...	$1.75	Q	1-21	2- 1
—	Cal Petroleum com..	43c	..	11-20	12- 1
$7	Cal Petroleum pfd.	1¾%	Q	12-20	1- 2
$7	Consol Cigar pfd..	1¾%	Q	11-15	12- 1
$2	Continental Oil.....	50c	Q	11-23	12-15
$7	Cosden & Co pfd...	$1.75	Q	11-15	12- 1
8%	Diamond Match Co	2%	Q	11-30	12-15
$7	Duquesne Lt 1st pfd	$1.75	Q	11-15	12-15
7%	Gen Cigar pfd.....	1¾%	Q	11-24	12- 1
7%	Gen Cigar deb pfd.	1¾%	Q	12-24	1- 2
$1.20	General Motors com	30c	Q	11-19	12-12
$7	Gen Mot 7% deb..	$1.75	Q	1- 7	2- 1
$6	Gen Mot 6% deb..	$1.50	Q	1- 7	2- 1
$6	Gen Motors pfd....	$1.50	Q	1- 7	2- 1
$2	Gen Pet Corp com.	50c	Q	11-30	12-15
$3	Imperial Oil	75c	Q	11-15	12- 1
$7	Inland Steel pfd...	$1.75	Q	12-15	1- 1
$7	Inter Harvester pfd	$1.75	Q	12-15	1- 1
$4	Keystone Tel pfd..	$1.00	Ini	11-20	12- 1
8%	Kinney G R pfd...	2%	Q	11-20	12- 1
$7	Laclede Gas com...	$3.50	..	11-17	12- 1
8%	Lehigh Coal & Nav	2%	..	10-31	11-20
12%	Liggett & My com	3%	Q	11-15	12- 1
3%	Ligg & M Tob co B	3%	Q	11-15	12- 1
$4	Lima Locomotive...	$4.00	Q	11-15	12- 1
—	McCrory Stores....	1%	Ext	11-20	12- 1
$4	McCrory Sto A & B	1%	Q	11-20	12- 1
$3	Manh Shirt com...	75c	Q	11-16	12- 1
$5	Manati Sugar com..	$1.25	Q	11-15	12- 1
$5	May Dept Sto com.	$1.25	Q	11-15	12- 1
$7	May Dept Sto pfd..	$1.75	Q	11-15	12- 1
$7	Montgom Ward pfd	$1.75	Q	12-20	1- 1
$1	Ohio Oil..........	25c	Q	11-28	12-31
7%	Packard Motor....	1¾%	Q	11-30	12-15
$4	Peerless Tr & Mot	$1.00	Q	12-20	12-31
$7	Pittsburgh Steel pfd	$1.75	Q	11-15	12- 1
$8	Schulte Ret Sto com	$2.00	Q	11-15	12- 1
6%	Southern Pacific....	1½%	Q	11-30	1- 2
$2	Standard Oil of Cal	50c	Q	11-20	12-15
$3	Texas Co..........	75c	Q	12- 7	12-31
$7	Tob Pdts Class A..	$1.75	Q	11- 1	11-15
$5	U S Steel common	$1.25	Q	11-28	12-29
—	U S Steel common..	25c	Ext	11-28	12-29
$7	U S Steel pfd......	$1.75	Q	11- 3	11-28

WITH THE EDITORS

(Continued from page 101)

The Government has at last awakened to the fact that it takes from 30 to 60 years to grow a merchantable white pine tree, but no one knows how many thousands of millions of years it takes to make a copper mine or an oil bed. Must succeeding generations pay for the extravagance and folly of the present?

Mexico is a striking example of the results of unrestricted exploitation of natural resources. When one takes into consideration the many millions of fixed property in Mexico belonging to oil companies and the fact that a great percentage has only a scrap value, one wonders whether the world is so far ahead after all.

Some sort of regulation and stabilization of the copper and oil industries seems imperative unless we are satisfied to have these commodities move in a series of demoralizing panics and booms. To date, the slow and unsatisfactory working of the laws of supply and demand has been the only safety valve.

Securities Analyzed in this Issue


Merry Christmas 1923


Merry Christmas 1923

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